LandSecurities

“YOU’VE TAKEN A DULL AREA AND GIVEN IT LIFE.”

SIMON BLAGDEN
JAMIE OLIVER RESTAURANTS

ANNUAL REPORT 2014

LAND SECURITIES AT A GLANCE

We are the largest listed commercial property company in the UK by market capitalisation. We buy, sell, manage and develop office, retail, leisure and residential space. Here we show our performance over the last 12 months.

Profit before tax
including valuation surplus

£1,108.9m

2013: £533.0m

Total business return[1]

15.5%

2013: 8.0%

Total property return

12.8%

2013: 7.8%

Dividends per share

30.7p

2013: 29.8p

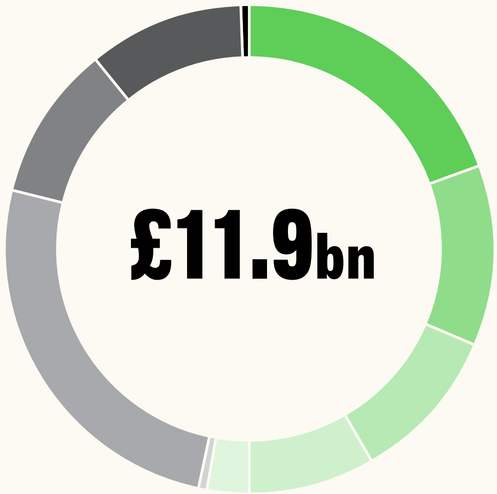
We aim to deliver a progressive dividend

Total shareholder return[1]

27.2%

2013: 19.1%

Combined portfolio value*



London

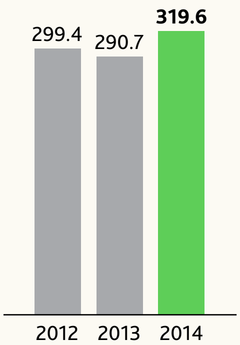
West End offices	19.5%
City offices	12.0%
Central London shops	10.3%
Mid-town offices	8.3%
Inner London offices	2.7%
Other	0.8%

Retail

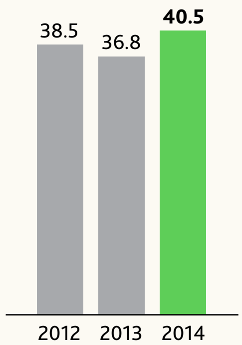
Shopping centres and shops	25.5%
Retail warehouses and food stores	10.2%
Leisure and hotels	10.4%
Other	0.3%

* On a proportionate basis.

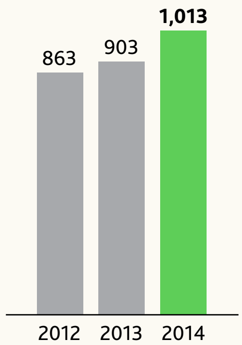
Revenue profit[2]
£m



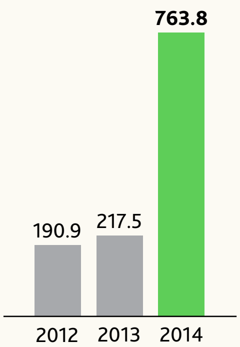
Adjusted diluted earnings
pence per share



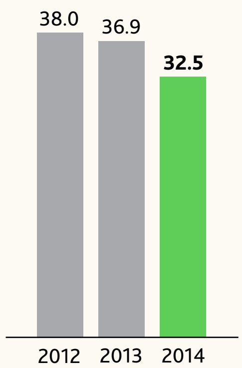
Adjusted diluted NAV
pence per share



Valuation surplus[3]
£m



Loan-to-value ratio
%



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

Notes

1. Total shareholder return and total business return provide shareholders with the clearest guide to the Company's progress in financial terms.
2. Revenue profit is our measure of the underlying pre-tax profit of the Group.
3. Includes proportionate share of joint ventures and subsidiaries.

Every commercial property company would claim that it knows about buildings. It's our understanding of how people interact with buildings that helps set us apart. By providing efficient and contemporary space that meets people's ever-changing needs, we ensure our properties are well let, well regarded and well used.

That's our view. Here's what others have to say.

We've made some changes to our Annual Report

In response to new reporting regulations and best practice guidance, we have evolved our content to ensure we continue to present a fair, balanced and understandable report on the Company and its performance. One important change is that key information, previously covered in the Corporate Responsibility (CR) section, is now fully integrated in our Strategic Report. This reflects the central role CR plays within the business. You will find in-depth coverage of our socio-economic and environmental performance matters in our Corporate Responsibility Report 2014 at landsecurities.com/responsibility

Online annual report
www.landsecurities.com/annualreport2014

“THIS TAKES GREEN ARCHITECTURE TO A NEW LEVEL.”

STUART BLAKEBOROUGH
LANCASHIRE INSURANCE GROUP –
FUTURE OCCUPIER OF 20 FENCHURCH STREET



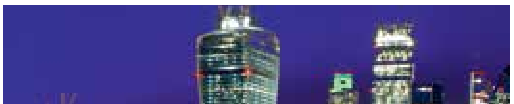
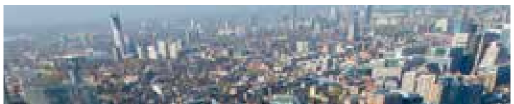
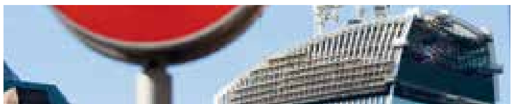




Sitting high above London, the Sky Garden at 20 Fenchurch Street will enable visitors to enjoy plants, trees and breathtaking views. But the building's green credentials don't stop there. A fuel cell and solar panels will provide renewable energy, grey water will be recycled and there's a living wall to promote biodiversity.



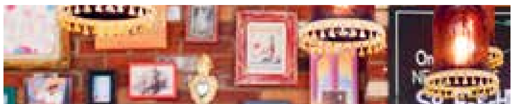


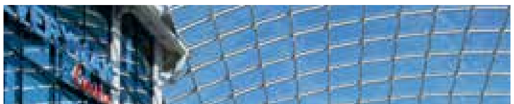





"I SHOP. THE KIDS WATCH A MOVIE. THEN WE MEET UP FOR LUNCH."

LAURA WILDES
VISITOR AT TRINITY LEEDS

Just one year after opening, our Trinity Leeds shopping centre has welcomed 22 million visitors and is 97% let. Leisure is playing an important role in its success, with our Trinity Kitchen street food market and Everyman Cinema attracting people in search of a memorable experience, as well as great shops and brands.





“I NEVER THOUGHT VICTORIA WOULD BECOME SO FASHIONABLE.”

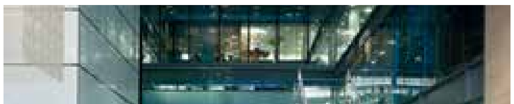
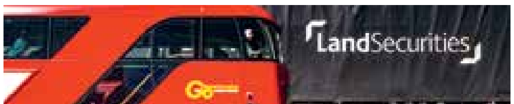
LADY LUCY FRENCH
ST JAMES THEATRE

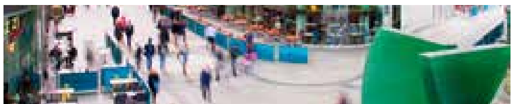





Our regeneration of Victoria, SW1, is about place as well as space. Office workers, retailers and residents all want to enjoy being part of a vibrant location. By creating exciting buildings, bringing in dynamic businesses and transforming the public space we're giving Victoria a new lease of life.





Our results

Total business return

15.5%

Ungeared total property return

12.8%

Increase in adjusted diluted NAV per share

12.2%

CHIEF EXECUTIVE'S STATEMENT

Robert Noel reports on our financial and operating performance over the last 12 months.

Our highlights

- £26.6m of development lettings
- £23.6m of investment lettings
- Sales of £920.4m
- Acquisitions of £209.9m including X-Leisure
- Development and refurbishment expenditure of £366.6m
- Further developments committed with total development costs of £551.0m

We aim to provide attractive and sustainable returns for our shareholders through the property cycle by anticipating markets and understanding customers' and communities' needs. We create value by taking a pro-active approach to how and when we buy, develop, manage and sell assets. Three key factors shape our approach. First, a recognition that we operate in cyclical markets. Second, that our customers' needs always evolve. These mean income from rent does not last forever, so we must regularly recycle capital and upgrade our portfolio. Third, that communities give us our licence to trade so we must ensure they are pleased that it is Land Securities operating in their neighbourhoods.

We have continued to pursue the clear strategy first articulated in 2010. Our acquisitions and significant push into speculative development over the last four years have been funded by sales rather than increased net debt. This has enabled us to reduce financial gearing, and strengthen the business, as we move through the cycle. Our plan is to have low operational and financial gearing as we approach the top of the cycle, so that risk is reduced and we have good capacity to buy as market conditions turn and opportunities present themselves.

Our actions have delivered a strong financial performance this year. We generated good growth in revenue profit, up 9.9% to £319.6m, and our development programme helped push our adjusted diluted net asset value per share up 12.2% to 1,013p. Our total business return – the increase in adjusted net asset value plus dividend paid per share – was 15.5%.

Meeting strong demand in London

Four years ago we anticipated the onset of supply-constrained conditions in the London offices market. That is exactly what we have seen. And, if anything, demand has been stronger than we signalled in our Annual Report last year.

We have developed speculatively into these market conditions and are currently in delivery mode. We completed 62 Buckingham Gate, SW1 in May 2013. 20 Fenchurch Street, EC3 is all but completed. In Victoria, The Zig Zag Building, Kings Gate and Nova are all rising out of the ground fast. During the year we also started our developments at 1 & 2 New Ludgate, EC4; 1 New Street Square, EC4; and 20 Eastbourne Terrace, W2. Having prepared the New Ludgate project for a 21-month construction programme, we said we would push the button when we saw good emerging interest from occupiers. Construction started in August without a pre-let and we have already pre-let 49% of the space and have a further 12% in solicitors' hands. Our London developments produced a valuation surplus of £269.0m or 22.5%.

The most complex aspects of our construction programme in the Capital will shortly be behind us and we will move into the de-risking phase of the cycle. This is about ensuring we let our speculative developments well and have relatively long lease lengths across the office portfolio as the current London office cycle matures.

Navigating a changing retail market

The year brought brighter prospects for the economy. But with no general rise in real wages emerging until the final quarter, this did not translate into increased consumer spending everywhere.

Over the last few years we have talked about how the retail market is changing and we have reshaped our portfolio as a result. The portfolio today is much more concentrated on dominance, experience and convenience.

This year we have focused on nurturing a pipeline of dominant shopping centre, and convenience led edge-of-town, developments. The Westgate Centre, Oxford is a great example of where we intend to create a destination in a city which tops the list of retailer requirements. We have also grown our leisure portfolio further, taking our ownership of X-Leisure up to 95%. And to fund our activities we have exited the most at risk locations. Buying and selling activity will continue because consumer behaviour evolves.

A sustainable business

Like any good business, success for us is all about understanding what our customers want and making sure we provide it – at the right time, in the right way, at the right price.

20 Fenchurch Street, EC3, shows our approach in action. In 2010, we recognised that the City market needed better space and that much of the planned new development would be delayed due to lack of development finance. So we set out, with our partner Canary Wharf Group, to build a highly efficient, technically resilient building in response. The building is now 87% let, well ahead of our expectations.

> "Like any good business, success for us is all about understanding what our customers want and making sure we provide it – at the right time, in the right way, at the right price."

In everything we do we strive to shape the future for good. By investing in the built environment, we improve the public realm while enhancing the economic and social environment by employing people to build. Our properties then help to generate and sustain economic activity for the communities in which they are located. Our shopping centres are major employers and our offices, through the many people who work in them, bring demand for local services. In turn, the local environment is more attractive to our retail and office customers who sustain our business.

We are adapting our business in anticipation of the changing demands of society. We are imposing tougher environmental targets and reporting standards for our buildings and setting ourselves a higher level of ambition for our contribution towards local employment, education and charity. Creating a sustainable business is a vital part of our corporate strategy and encourages our employees to make a difference individually. Sustainability is created by everyday acts as well as big decisions.

New management structure

In December 2013, we announced that Richard Akers intended to step down from the Board and leave the company. He goes with our thanks for an outstanding contribution over 19 years and our very best wishes for the future.

Following Richard's departure, we have reorganised our leadership team. We have simplified the structure with clearer accountabilities and shorter reporting lines. Colette O'Shea and Scott Parsons, two outstanding candidates from within the business, have been appointed as managing directors of the London and Retail portfolios respectively. Each has reshaped the executive committee for their business unit with all but one of the senior posts filled by internal promotions. This speaks volumes for the talent within the Company.

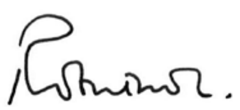
Outlook

The lead up to a general election is bound to bring an element of uncertainty to the business community. However, extraordinary events aside, we do not expect to see a correction of the balance between supply and demand in the London office market over the next two years. There is not enough efficient, technically resilient space for businesses and this bodes well for our committed speculative developments.

We will remain very busy in London as we press ahead with construction and de-risk the portfolio. We are confident about the prospects for our committed schemes. We also recognise that the risk profile of future speculative development is changing as competition for sites has increased, construction costs are rising, and development activity is set to pick up. As a result, any new development commitments in the near term are likely to require pre-lettings.

In retail, a return to economic growth and real growth in wages is welcome news for retailers, but we still do not expect this to translate into rental growth across the entire retail market. We will continue to sell assets which are less well equipped for the future and focus on assets that offer a great experience or convenience. This includes our plans for new city centre schemes such as Oxford and edge-of-town schemes such as our proposals for Worcester which provide the right space for retailers.

We enter a new year with confidence.



Robert Noel
Chief Executive

OUR MARKET

UK commercial property market

The market offers an alternative to other investment markets, including stocks and bonds. Historically, the commercial property market's performance has broadly tracked GDP growth. Interest rates also influence the market. For example, rising interest rates tend to put downward pressure on property values. This may be balanced by growth in rental values if higher interest rates are accompanied by a higher level of inflation.

The market is cyclical, particularly the London office market which currently accounts for 42.5% of our assets by value. The balance between supply and demand is the single most powerful driver of property values (see page 19 for more on the market cycle). Structural changes in a sector – for example, growth in online retailing or public investment in new infrastructure in London – also influence market behaviour and values.

To enhance returns property companies use financial gearing, for example through bonds and bank debt. They also use operational gearing by developing or refurbishing properties, which carries more risk than investing in completed or let assets. Access to finance varies according to the market cycle.

Due to the cyclical nature of the property market, the timing of investment is critical to future returns. In development, capacity in the construction market is particularly key to property companies' margins. Land Securities prefers to be an early cycle developer acting when others find it harder to access finance and construction contracts can be secured on relatively favourable terms.

Across investment and development, costs and risk can also be affected by a range of other factors such as changing occupier requirements, the needs and views of local residents and other neighbours, the availability of natural resources used in construction and the effects of climate change on buildings, together with new regulation. Property companies are also increasingly expected to generate wider social benefits.

London Portfolio – market

We invest in and develop office, retail, leisure and residential space in central London.

Dynamics

The market in London is cyclical, with pronounced fluctuations in property values in response to changing levels of supply and demand. We are currently in supply-constrained conditions, with a healthy level of occupiers looking to move in a market that has a relatively low level of new building completions.

The market is also driven by the evolution in occupiers' needs and expectations – around areas such as open plan space; occupation density; energy efficiency; high quality design and facilities; and imaginative improvements to the environment around buildings, including the public realm. In addition, Local Authorities are increasingly requiring developers to take a mixed-use approach, incorporating retail and sometimes residential space into their schemes.

Enduring appeal

Central London has enduring appeal for investors and occupiers offering:

- The capabilities and opportunities of a global financial centre
- A deep and liquid property investment market
- An international gateway
- Reasonable and relatively stable tax rates
- Strong business infrastructure
- A diverse community

Retail Portfolio – market

We invest in and develop retail and leisure space, in town and out of town.

Dynamics

Supply and demand in the sector are influenced by a range of economic factors and ongoing structural changes in retailing.

First and foremost, economic conditions determine consumers' confidence and spending power. This translates into retailers' appetite for expansion and ability to finance new space.

We are seeing demand from a broad range of retail businesses but only for the best locations. There is strong interest from investors for retail assets that can consistently attract consumers and retailers with the economy returning to growth.

Opportunities

There are a range of opportunities for those best able to understand the changing requirements of consumers and retailers. These dynamics include:

- Growing demand for locations that offer convenience or a great experience, which means assets with a clear offer are more likely to thrive
- People are shopping less often, but spending more and staying longer in the best locations, particularly larger centres

- English-speaking population
- Excellent quality of life
- Access to top universities.

Strengths

London's strengths are attracting a large and diverse mix of property investors, many from overseas. This is currently helping us when selling assets but it is increasing our competition when buying.

Challenges

Challenges for London include:

- Limitations on economic growth due to restrictions on immigration
- The impact of a growing population leading to high costs, both for businesses and residents
- Lack of housing at affordable or attractive prices
- Lack of clarity around airport expansion
- Pressure on an ageing infrastructure, including power and sewerage
- Upcoming national election may herald new policies which bring uncertainty.

Market during the year

- Take-up of office space in central London for the 12 months to 31 March 2014 totalled 13.7 million sq ft compared to the 10-year average rate of 12.2 million sq ft
- At 31 March 2014 the vacancy rate stood at 4.3% compared to a long-term trend of 5.4%
- Over the 12 months to 31 March 2014 prime headline office rents grew by 10%.

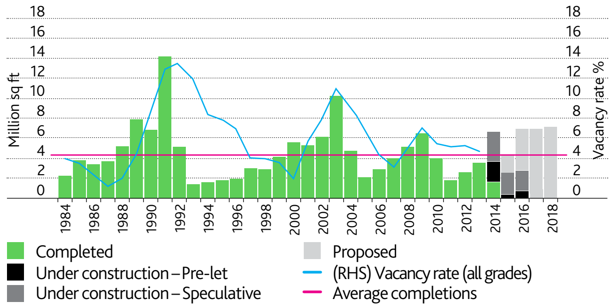
Outlook

We expect supply-constrained conditions to continue for the foreseeable future. Schemes projected to complete over the next two years will not satisfy the expected level of demand for new space. In the absence of an external event which severely impacts demand, rental values are set to continue their upward path as competition for available space increases.

Source: CBRE (all data)

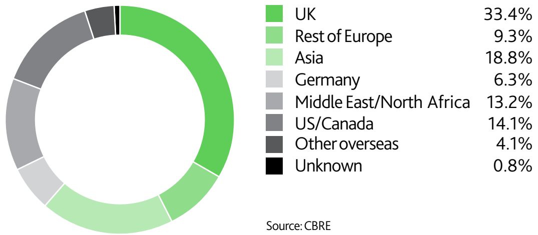
Statistics Chart 1

Development completions and vacancy



Source: CBRE, Knight Frank, Land Securities

Investor demand for London offices 2010–2013 Chart 2



Source: CBRE

For more information about our London Portfolio, go to: pages 30–31

- 'Winning' locations such as prime shopping centres are attracting more visits at the expense of less appealing town centres, high streets and smaller secondary centres
- The most successful large retailers are developing multi-channel strategies that integrate physical and internet retailing, including click and collect, and this is creating demand for new formats.

Challenges

Significant challenges in the sector include:

- The impact of online retailing on floorspace, with research from Conlumino suggesting there will be 6% less retail floorspace and 10% fewer shops by 2020
- Increasing use of mobile devices by consumers to check prices, read product reviews and look for offers when visiting shops, which can have an adverse effect on retailers' margins
- Shorter lease lengths, which can weaken security of income and value for property owners, although owners of thriving centres may welcome the opportunity to introduce new retailers sooner.

Market during the year

- Consumer confidence (as monitored by GfK NOP UK) in the United Kingdom moved from -26 at March 2013 to -5 at March 2014: the highest level seen since the start of the financial crisis in 2007
- The investment market has regained some momentum with activity in the market for retail and leisure property at its highest for three years.

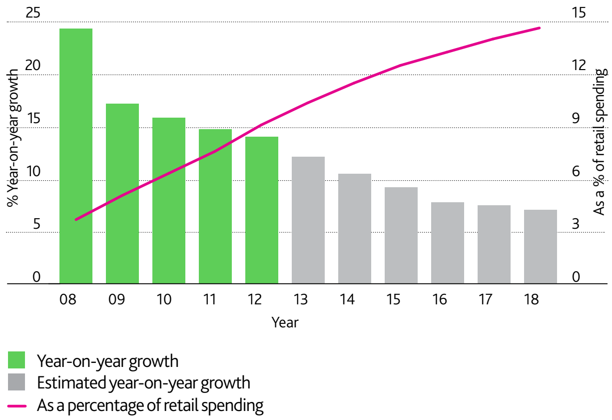
Outlook

We expect occupier demand for the best locations to improve. Shopping habits will continue to evolve and retailers will respond with new approaches to space and services. Online sales growth is likely to impact all retail property, but prospects remain positive for centres offering a distinct experience and for assets that provide convenience. The most successful retail property owners will be those who enable retailers to respond to consumer trends in smart, efficient and innovative ways.

Source: Property Data

Statistics Chart 3

Online retail expenditure



Source: Verdict

For more information about our Retail Portfolio, go to: pages 28–29

OUR BUSINESS MODEL

Sources of capital

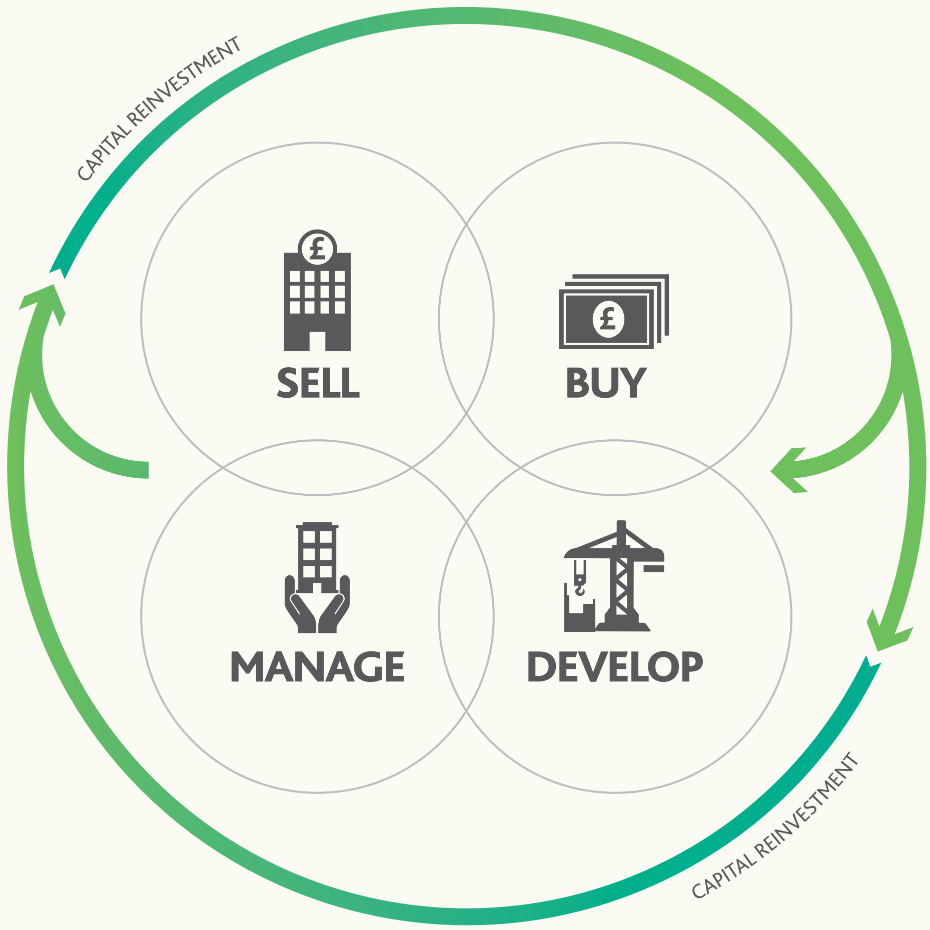
Shareholder capital

Our shareholders' investment in the Company.

Debt capital

Funds for investment accessed through bond debt, bank borrowings and other borrowings. We pay interest on these funds.

Activity



Sources and uses of capital

Shareholder capital
We can raise additional capital by issuing more shares and can return capital to shareholders through dividends or buying-back shares.

Debt
This is the capital lent to the Company primarily through bank loans and corporate bonds. The majority of debt has to be repaid at a specific point in the future, and the Company pays interest/coupons on the debt.

Gearing
This is the ratio of our debt to the current value of our investment and trading properties (recalculated every six months).

Capital reinvestment
Reinvesting capital from disposals and undistributed earnings back into the business in order to create further value.

Generating returns over time
Shareholders receive a return on capital through the movement in share price and the dividends they are paid over time.

Primary activity

Our aim is to create great space with enduring appeal to our customers and the wider community.

Buy
We create value by acquiring buildings or land that will generate returns above our cost of capital through the application of our expertise.

Develop
We create value by building successful spaces and vibrant places well matched to the changing needs of occupiers and communities.

Manage
We create value by improving buildings, keeping them occupied, running them efficiently and considerately, while ensuring they meet occupiers' needs.

Sell
We create value by holding or improving assets then selling when greater returns can be gained through investment elsewhere.

Supporting activity

Finance
We secure funds for acquisitions and development at key points in the cycle. We also use debt to enhance shareholder value.

Planning
We foster relationships with local authorities and communities so we can create successful, revenue-generating developments that benefit local communities.

Risk management
We anticipate and mitigate potential threats to value creation, with a focus on ensuring assets are well let through the cycle.

Technology
We acquire, develop and deploy technologies that help to maximise the performance of our buildings and our business.

Advisers, suppliers and contractors
We work with the best partners, gaining competitive advantage from their expertise.

Our goal is to create long-term shareholder value by growing the income produced by our assets and the value of our properties. In everything we do we aim to shape the future for good.

Aims

Financial

Growth in income

The total rent paid to us by our occupiers.

Growth in asset value

The increase in the value of our portfolio generated by our actions and market influences.

Non-financial

Customers

We aim to meet our customers' ever-evolving needs by providing the right space at the right time, in the right place at the right price.

Community

We aim to help local areas thrive economically and socially, which in turn helps to make our assets more popular and successful.

Environment

We aim to improve the built environment while minimising our environmental impact.

Employees

We aim to attract, recruit and develop smart, skilled and commercially astute people who drive the Company forward.

Outcome

Dividend

The quarterly payments we make to our shareholders.

Capital return

The overall change in value of our portfolio.

Measure

Total business return

Dividend
The quarterly payments we make to our shareholders.

Plus

Change in net asset value
The overall change in value in our net assets.

Influences

Market sentiment

External responses to:

- Economic conditions
- Property market conditions
- Our reputation
- Our management team
- Our portfolio of assets
- Our levels of gearing.

Goal

Total shareholder return

Dividend payments
The financial value of the payments we make to shareholders.

Plus

Share price growth
The increase in the financial value of our shares.

Our organisation

Group
Responsible for the direction of the Company, financing and other central activities such as human resources, legal services and communications.

London Portfolio
Responsible for buying, developing, managing and selling office, retail, leisure and residential property assets in central London.

Retail Portfolio
Responsible for buying, developing, managing and selling retail and leisure assets across the UK.

For more information on our strategy and performance go to: **pages 18–19**

OUR TOP PROPERTIES

Cardinal Place
London SW1

Trio of buildings completed in 2006 by Land Securities, encompassing BREEAM 'Very Good' 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

Key facts

Ownership interest
100%

Annualised net rent
£29.4m

New Street Square
London EC4

Offices with retail and restaurants. Recreating traditional ground-level routes, including a public square and a green wall to enhance bio-diversity, 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

Key facts

Ownership interest
100%

Annualised net rent
£33.6m

Queen Anne's Gate
London SW1

Built by Land Securities in 1977, comprehensively refurbished in 2008, it is the headquarters of the Ministry of Justice.

Principal occupiers
Central Government

Key facts

Ownership interest
100%

Annualised net rent
£29.4m

One New Change
London EC4

An 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 and including a Ground Source Energy System for on-site energy generation, the retail and leisure space opened in October 2010.

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

Key facts

Ownership interest
100%

Annualised net rent
£27.1m

Trinity
Leeds

Located in a prime position, this 817,000 sq ft retail destination achieved BREEAM 'Excellent' when it was developed by Land Securities and opened in March 2013.

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

Key facts

Ownership interest
100%

Annualised net rent
£19.9m

Piccadilly Lights
London W1

Offices, retail, leisure and a world famous advertising landmark. 2009 saw the introduction of enhanced energy-efficient LED screens and in 2013 a new advertising screen was added.

Principal occupiers
Hyundai, Barclays, Boots

Key facts

Ownership interest
100%

Annualised net rent
£15.5m

Gunwharf Quays
Portsmouth

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

Principal occupiers
Paul Smith, Jack Wills, Ted Baker, Polo/Ralph Lauren, Jamie's Italian

Key facts

Ownership interest
100%

Annualised net rent
£23.5m

White Rose Centre
Leeds

Award-winning shopping centre with more than 100 stores and a range of cafés and food outlets. Located on the outskirts of Leeds, it serves a large and loyal catchment ensuring a consistently strong performance from retailers.

Principal occupiers
Sainsbury's, Debenhams, Primark, M&S

Key facts

Ownership interest
100%

Annualised net rent
£21.5m

OUR DEVELOPMENT PIPELINE

July 2014

Bishop Centre
Taplow

A 101,500 sq ft retail park which replaces the old Bishop Centre. The centre is anchored by Tesco.

Environment
The scheme includes roof and brise soleil mounted photovoltaic panels.

Key facts

Percentage let
82%

Development cost
£39m

August 2014

20 Fenchurch Street
London EC3

A world class 690,000 sq ft office building in the heart of the City providing superb, highly efficient and technically resilient space.

Environment
The first fuel cell in the Square Mile will supply low carbon heat and electricity.

Key facts

Percentage let
87%

Development cost[1]
£239m

May 2015

Kings Gate (Trading property)
London SW1

Kings Gate is our second significant residential contribution to Victoria after Wellington House, which completed in 2012. The 108,900 sq ft scheme consists of 100 apartments, 82 of which have been pre-sold. The scheme completes in May 2015.

Environment
Sustainable design features mean that this luxury residential property will achieve Code for Sustainable Homes Level 4.

Key facts

Percentage units pre-sold
82%

Development cost
£159m

April 2015

1 & 2 New Ludgate
London EC4

Two office buildings united by a new public space. Situated where the capital's financial, legal and professional worlds meet, and at the intersection of Crossrail and Thameslink, this 348,600 sq ft office and 30,800 sq ft retail scheme is attracting strong interest.

Environment
Glass louvres will provide shade while optimising daylight to reduce dependence on artificial lighting and cooling.

Key facts

Percentage let
0%

Development cost
£257m

May 2015

The Zig Zag Building
London SW1

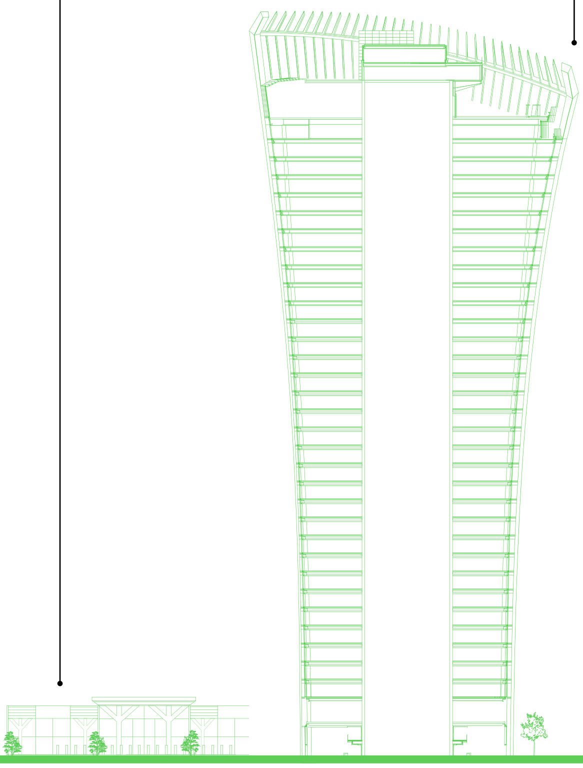
187,700 sq ft of stunning commercial office space, with terraces on seven floors and a communal roof garden offering views of the Royal Parks and famous London landmarks. The scheme provides new public realm, gardens and 44,200 sq ft of retail space.

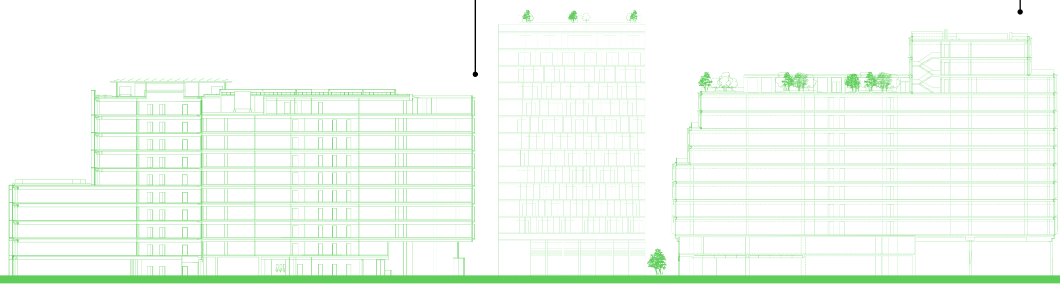
Environment
The windows can open to allow the building to be naturally ventilated.

Key facts

Percentage let
4%

Development cost
£174m





February 2016

20 Eastbourne Terrace
London W2

The redevelopment of 20 Eastbourne Terrace will provide 91,800 sq ft of high quality office space located opposite Paddington Station and the new Crossrail entrance. We committed to this scheme in January and completion is due in February 2016.

Key facts

Percentage let
0%

Development cost
£66m

July 2016

Nova, Victoria – Phase I
London SW1

Our development of this 5.5 acre site directly opposite Victoria station will create an exciting destination in which to work, live and play. Phase I comprises 480,300 sq ft of office, 79,900 of retail and 166,400 sq ft of residential space. Due to complete in July 2016.

Environment
Onsite energy centre will provide low carbon cooling, heating and electricity to the buildings and 3,000+ homes in the area.

Key facts

Percentage commercial let
0%

Percentage residential units pre-sold
68%

Development cost[1]
£245m Commercial
£138m Residential

June 2016

1 New Street Square
London EC4

Building on the success of our New Street Square development, 1 New Street Square is a significant development of new office and retail space. The 270,900 sq ft scheme is due to complete in June 2016.

Environment
Local biodiversity enhanced through planted terraces and a green roof.

Key facts

Percentage let
0%

Development cost
£177m

September 2016

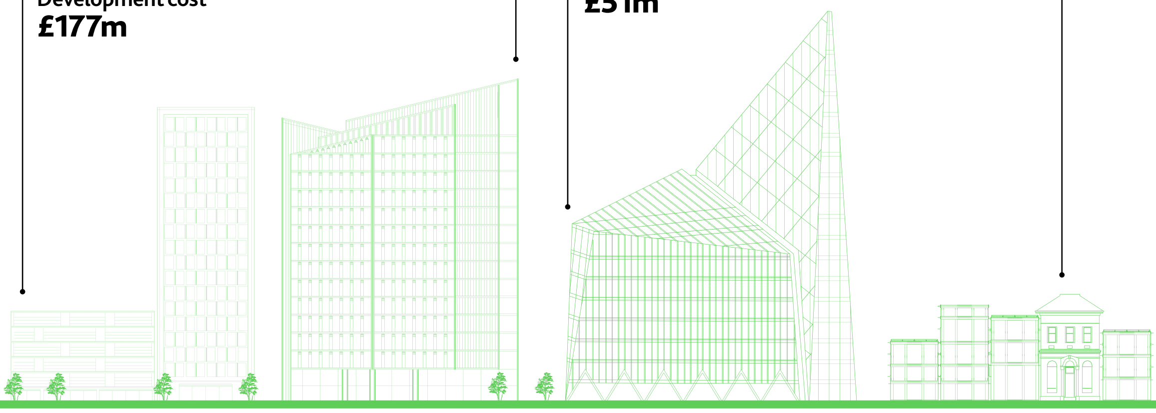
Oriana – Phase II
London W1

Located on the north west corner of the junction between Oxford Street and Tottenham Court Road, this joint venture with Frogmore has already created 149,000 sq ft of retail space. Phase II of the scheme will add a further 72,000 sq ft of retail space and 18 residential apartments.

Key facts

Percentage let
64%

Development cost[1]
£51m



Beyond 2016

Westgate Centre
Oxford

This proposed new development will provide a new shopping, leisure and dining destination. A joint venture with The Crown Estate, the 800,000 sq ft scheme will feature rooftop restaurants providing new and unique views across the city. The development will be anchored by John Lewis.

Environment
The project is aiming to be the lowest whole life carbon retail destination in the UK.

Percentage pre-let
10%

Development cost[1]
£211m

Buchanan Galleries
Glasgow

This proposed 500,000 sq ft extension to our existing Buchanan Galleries shopping centre will add a great mix of leisure and modern retail space to the heart of Glasgow's main shopping district. The scheme has outline planning and will be anchored by M&S.

Portland House
London SW1

We have planning consent to convert this 1960s office tower into over 200 residential apartments with stunning views across London.

Nova, Victoria – Phase II

We have planning permission for an additional 123,000 sq ft of offices and 5,000 sq ft of retail on the island site at Nova.

Maidstone

We have submitted a planning application and signed up Waitrose and Debenhams for our proposed 225,000 sq ft development at Junction 7 of the M20 near Maidstone.

Ealing Filmworks

London Borough of Ealing Council has resolved to grant planning permission for a mixed leisure and residential scheme comprising a multi-screen cinema, restaurants, shops and new residential apartments.

Worcester

We will shortly be submitting a planning application for a retail scheme at Newtown Road.

For more information about our development pipeline go to: pages 146–147

1. Land Securities 50% share

OUR STRATEGY AND PERFORMANCE

Our approach is to buy assets and to start to develop early in the cycle; manage assets actively to ensure they meet occupiers' changing needs and generate strong income; and sell at the right time to maximise profit and recycle capital. Across the portfolio, we have a clear plan for every asset. We are risk aware, not risk averse.

We work hard to anticipate and respond to changes in our markets. We make understanding our customers' needs our top priority, so we provide the space they need to succeed. And we also look beyond our buildings, working to ensure our activities meet the expectations of everyone from investors to local communities and government, shaping the future for good.

You can read more about our strategic choices below. You can see our strategy in action across the London Portfolio and Retail Portfolio on pages 28–31. And you can see the progress against our KPIs for the year on pages 22–23.

OUR STRATEGY IS DESIGNED TO PROVIDE A SUSTAINABLE AND RELIABLE RETURN THROUGH THE MARKET CYCLE.

Our strategic objectives

To deliver our strategy we have set clear objectives that relate to specific financial and operational outcomes:

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

Our strategic choices

Relationships
We aim to create and protect value by being the company people prefer to work with and for. To succeed, we need local authorities and communities to trust that our activity benefits their area. We need occupiers and investment partners to trust us to deliver space on time and to plan. And we need the public to trust that our sites are safe and we use natural resources carefully. Acting with integrity in this way helps us to attract and retain great people. It also makes sound commercial sense.

Market
We focus on two geographically defined sectors of the UK commercial property market – offices, retail, leisure and residential in central London, and retail and leisure assets located outside London. We believe being active in these two sectors rather than one provides us with greater financial stability as they work to different cycles.

Timing
We aim to own high quality assets – with enduring appeal to occupiers – that can generate strong income through the cycle. And we carefully time our development, buying and selling activity in line with the cycle. See the Q&A opposite for more on market timing.

Scale
We are currently the UK's largest Real Estate Investment Trust (REIT) on the basis of equity market capitalisation. Scale enables us to make large acquisitions and develop a number of major assets at the appropriate time. We can acquire sites then wait to deploy our capital at the most advantageous point in the cycle.

Locations
We choose to buy and develop in thriving locations, or places with excellent potential, where an under-performing building or plot of land can be transformed to generate income and value. Placemaking – the long-term regeneration of an area into a thriving location – is an increasingly important part of what we do.

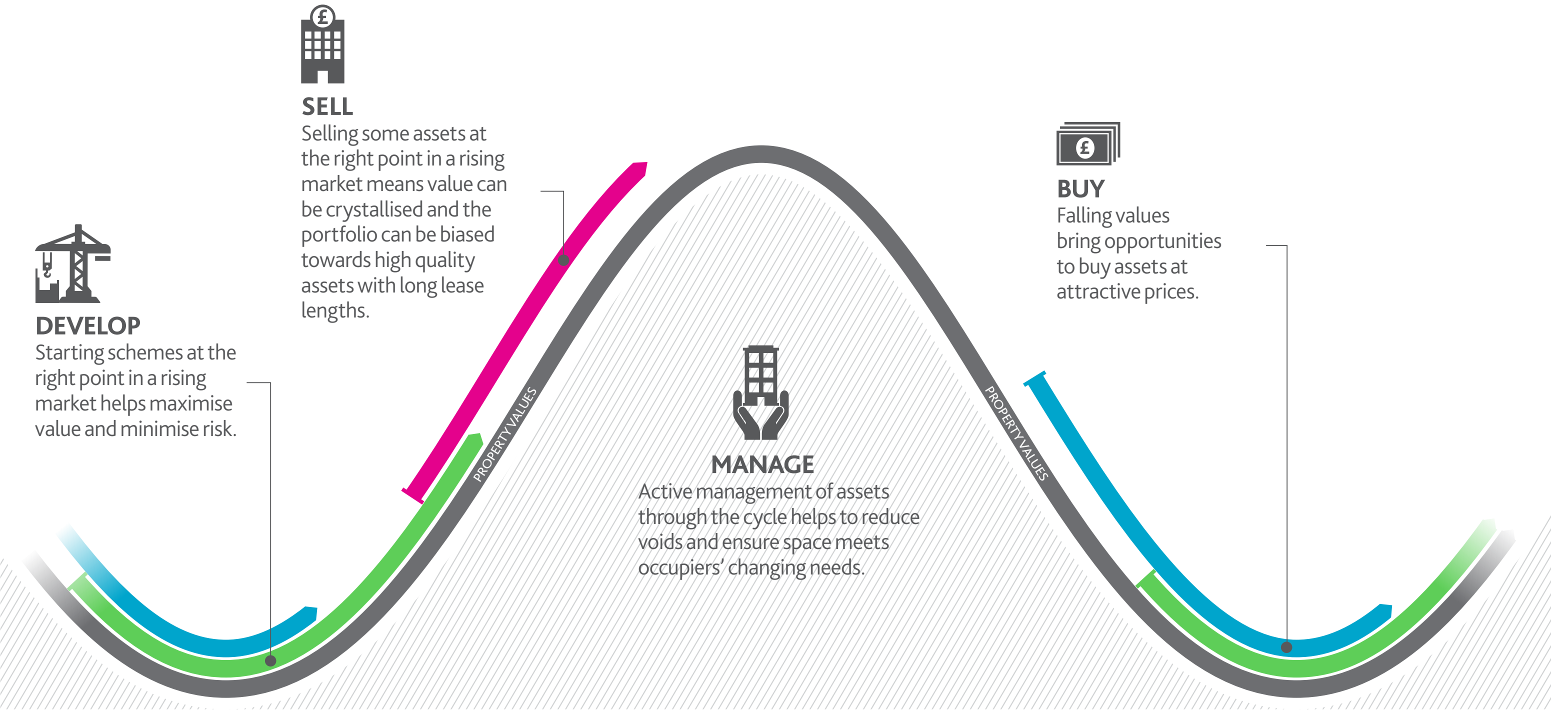
Finance
We have been following broadly a net debt neutral financial approach as we move through the cycle. So we aim to broadly balance the proceeds we receive from sales with outgoings on acquisitions and capital expenditure for developments. This approach creates strong competition for capital within the Group, so only the best options are pursued and financial gearing reduces steadily as we move through the cycle.

Risk
We are risk aware, not risk averse. Our main risk is that space in our developments will be left unlet – or let at low rents – if the market turns unexpectedly and supply outstrips demand. We mitigate this through the quality of our new buildings, developing early in the cycle, and using our excellent market knowledge and occupier relationships. We also respond to the long-term risks affecting our industry, including climate change, environmental regulation and resource constraints, including energy supply.

Long-term
We aim to make sound, long-term investments in our buildings so their performance meets changing regulation, they continue to attract strong demand from occupiers and they generate sustainable returns in the years ahead.

Market cycle

How we aim to match our activity to the movements of the market.



Q & A

Why is there a property market cycle?
If demand for space is greater than supply rents tend to rise, leading to higher property values. In turn this encourages developers to create more supply. At a certain point the supply of new space is likely to outstrip demand – particularly if economic and financial factors also serve to limit demand. Rents and property values may then fall quickly.

What challenges are created by the cycle?
Given that large properties take time to build, the main challenge for developers is to secure lower construction costs and then time construction so that buildings complete at the right point in a rising market, while demand is strong. In terms of investment (owning property), companies must understand occupiers' changing needs so their space attracts tenants and produces good income through the cycle, even when supply is high and demand low.

Do the cycles in the London offices market and the retail market differ?
The London offices market sees marked periods of over- and under-supply, and demand can move from one phase to another quite quickly. We usually develop speculatively in London, that is, without commitments from tenants to take space, with our decision to move ahead based on confidence in our ability to read the supply/demand balance. Speculative development is necessary as potential occupiers generally start to look for space up to two years before moving, while large schemes can take more than two years to complete. The retail market is less volatile as it is fundamentally driven by long-term structural changes within the sector, such as the effect of the economy on consumers or the impact of online retailing. It is harder to predict demand or create competition for space within a new retail scheme, so we reduce risk by achieving significant pre-lettings before commencing construction.

What is your strategic response to the cycle?
We manage assets actively through the entire cycle, ensuring voids are kept low and lease lengths are maintained so we maximise rental income. We sell assets when we see better opportunities to use the proceeds to create value elsewhere, particularly if an asset may not perform so well when the cycle turns. We aim to buy assets when values are falling or low. We start to develop early in the cycle so we benefit from lower construction costs, and we aim to deliver completed schemes while demand from occupiers is rising and levels of available space are low. We monitor changing conditions carefully and aim to stop our speculative development programme well ahead of over-supply in the market.

How do you manage gearing through the cycle?
Our gearing is a measure of our debt relative to the value of our assets. It has a multiplier effect, with high gearing generating higher returns in a rising market and greater losses in a shrinking market. Our objective is to have higher gearing at the bottom of the market cycle and then to keep debt relatively constant, so that rising property values then reduce gearing as the market improves. As the market nears the top of the cycle we may also sell further assets to reduce debt so we can take advantage of buying opportunities when values have fallen. Selling quickly at scale can be challenging so it is important we read the market well and act decisively.

How do you know where you are in the cycle?
Being an active player at the heart of the market enables us to see what's changing and assess the likely impact on future supply and demand. We get out and about to talk to people, and we analyse new data carefully, particularly information on lease expiries, occupier intentions, construction costs and new development starts. We also look closely at changing patterns in rental values and their likely effect on investment in development.

For more information on our markets go to: pages 10–11

OUR STRATEGY IN ACTION 2013–14

For more information about our London Portfolio go to: pages 30–31

London Portfolio – strategy

We create value by developing first class office, retail, leisure and residential space; strengthening income streams through smart, rigorous asset management; and enhancing our portfolio through well-timed sales and acquisitions. We operate in central London in areas we know well.

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. We develop speculatively, which requires us to have a very clear understanding of occupiers' changing needs and the likely balance between supply and demand on completion. Our current development programme is well matched to the market conditions we see ahead.

Everything we do is driven by the need to understand our customers and meet their property needs. We respond to people's ever-evolving expectations in the way we plan, design, build and manage our buildings. We give particular attention to placemaking, so the public realm and facilities around our buildings make the area more attractive and enjoyable. From experience we know that we are more successful when we listen to the views of others, think about long-term considerations and create strong relationships based on trust and mutual advantage.

Buy

We monitor the market very closely but at this stage in the London office cycle profitable acquisitions are scarce. We made no acquisitions in the year, preferring to allocate capital to our development activities. We will be patient, buying investment properties and development sites only where we see good long-term value.

Develop

20 Fenchurch Street, EC3
Construction started in 2010. The office element completed in April and tenants are currently fitting out, with occupation scheduled from June 2014. We have achieved rents above expectations and lease lengths are longer than anticipated, reflecting the lack of supply in the market. The scheme is now 87% let.

Kings Gate, SW1
Construction is well under way at this residential scheme, with the structural frame complete. By 31 March 2014, 82 of the 100 apartments were pre-sold. The 108,900 sq ft scheme is now due to complete in May 2015.

The Zig Zag Building, SW1
Construction of this commercial office and retail scheme is now due to complete in May 2015. The retail space at The Zig Zag Building and Kings Gate is now 49% pre-let to Jamie Oliver, Iberica and Mango.

1 & 2 New Ludgate, EC4
Having committed to the scheme last summer, we are seeing strong demand and since the year end we have pre-let 2 New Street Square to the Japanese bank Mizuho Group. We will complete the office space to a Category A fit-out to enable occupiers to move in early. We are on schedule for practical completion in April 2015.

1 New Street Square, EC4
In January we committed to build this 270,900 sq ft office scheme located in the heart of Mid-town. Demolition of the former IPC Tower finished in February 2014 and we are now on site with the construction of the new building with completion scheduled for June 2016.

Nova, Victoria, SW1 – Phase I
Construction continues on site and we are on time and on budget. At 31 March 2014, 116 of the residential units had been pre-sold.

Manage

Piccadilly Lights, W1
We agreed deals with three retail tenants to reconfigure their units. These deals have freed up space for a new advertising screen which is now in place. The rents of the units involved have increased from £4.6m to £7.6m, or 64%.

Cardinal Place, SW1
During the year we agreed to extend leases of 121,900 sq ft of space with a rent roll of £7.3m, lengthening the weighted average unexpired lease terms of those leases from 4.2 years to 10.5 years.

Void rate and lease length
We have kept our like-for-like void rate very low at 1.6%. Lease extensions and renewals in the portfolio have maintained the weighted average unexpired lease length at 9.6 years, providing security of income over the medium term.

Sell

Bankside, SE1
We have taken advantage of the current market liquidity to sell Bankside 2 & 3, SE1 – a large leasehold asset predominantly let to RBS – for £315.0m, reflecting a net initial yield of 5.2%.

Empress State Building, SW6
We sold our 50% stake in the Empress State Building, SW6 to existing partner Capital & Counties Properties PLC for £117m. This was in line with our strategy of recycling capital through disposals as we did not see an opportunity to gain full control of the asset management or development of the building.

Oxford House, W1
Having secured planning permission for redevelopment of the asset, we sold Oxford House to neighbour Great Portland Estates plc for £90m. The disposal enabled us to realise the majority of our anticipated development profit early and to reinvest the capital elsewhere in our development programme.

For more information about our Retail Portfolio go to: pages 28–29

Retail Portfolio – strategy

We create value by providing retailers with new or more efficient space that helps drive their profits. We operate across the UK but focus on assets in thriving locations that are a destination or convenient for shoppers.

We de-risk developments by seeking substantial pre-lettings before we start construction, so we, and our occupiers, are both committed to the scheme. We use our close relationships with retailers to ensure we understand their changing needs. We help retailers to pursue multi-channel strategies and ensure our retail environments use new technology to enhance the shopper's experience. And we develop good relationships with local communities and contribute to the social and economic fabric of the local area, which helps to make our centres busy and well regarded.

Increasing consumer demand for great shopping experiences is a fundamental driver within our market, so we are growing the proportion of leisure in our retail assets. We are also seeing rising demand for convenience from shoppers and new formats from retailers, so we are developing our edge-of-town and out of town assets. Geographically, we are increasing our activity in London and the south east. Outside the south we are focusing on successful destination centres.

Buy

X-Leisure
Our only significant acquisition during the year was an additional 35.6% interest in the X-Leisure Unit Trust for a cash consideration of £104.0m, taking our ownership to 95%. The additional interest represents £208.1m of underlying assets.

Develop

Bishop Centre, Taplow
Construction of this 101,500 sq ft development to replace the existing Bishop Centre was delayed by four months but commenced in September 2013. The new retail park will be completed in July 2014. It is 82% pre-let and anchored by Tesco.

Whalebone Lane, Chadwell Heath
We completed the development of this Asda store in September and subsequently sold it.

Ealing Filmworks
During the year we received planning permission for the development of this cinema-led leisure, retail and residential scheme.

Buchanan Galleries, Glasgow
We have outline planning permission to virtually double the floorspace of our existing shopping centre, jointly owned with Henderson. We are continuing to work up detailed plans.

Westgate Centre, Oxford
We secured planning during the year and are now working up our detailed plans for this 800,000 sq ft scheme in the heart of Oxford in partnership with The Crown Estate and Oxford City Council. The earliest possible completion of the scheme is 2017.

Manage

Trinity Leeds
At Trinity Leeds we saw the successful launch of our street food concept, Trinity Kitchen, which is already seeing an average of more than 25,000 visitors per week. The Primark store opened on 3 December and in the weeks leading up to Christmas had more than 80,000 visitors per week. The shopping centre is now 97% let.

St David's, Cardiff
We secured two major lettings to Wahaca and The White Company to further enhance the offer at this shopping centre. These deals generate over £450,000 of base rent plus turnover top-ups.

White Rose, Leeds
The space vacated by HMV and Republic has been filled by Bank Fashion and Simply Be. Both deals were ahead of Estimated Rental Value and previous passing rents.

Comet
We have relet all of the units vacated by Comet when the retailer went into administration in 2012. This has contributed to rental income and ensured void levels at our retail parks remain low.

Sell

We have taken advantage of demand to sell retail assets which no longer fit with our strategic plans for retail:

Livingston Designer Outlet
We sold the asset in August. The disposal enabled us to recycle capital and reinvest in assets where we have management control and can proactively add value.

Bon Accord and St Nicholas Centre, Aberdeen
During the year we sold these assets, held in a joint venture with British Land, for £94.4m (our share). The joint venture was originally set up as a seven year partnership and had come to a natural end.

Overgate Centre, Dundee
In March we sold this asset for £125.3m. The price is less than we paid for the centre in 2010 and demonstrates how changing consumer behaviour is influencing our decision making.

KEY PERFORMANCE INDICATORS

We work to turn our strategic objectives into tangible performance, using individual key performance indicators to measure our progress.

Strategic objective	KPI for the year	Performance
Deliver sustainable long-term shareholder returns	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 4.1% per annum for the three year period from April 2011
Maximise the returns from the investment portfolio	One year and three year Total Property Return (TPR) performance compared to the IPD Quarterly Universe, and compared to the same benchmark, weighted to the sectors in which the Group is invested	• Underperformance versus the IPD quarterly universe over one year and out performance over three years • Under performance versus the weighted average index over one year and in line with performance over three years
	Revenue profit to exceed internal budget target	Achieved. Revenue profit of £319.6m was above internal budget target
Manage our balance sheet effectively	Achieve the c. £650m of specifically identified property disposals within the business plan	Two of three individual sales that make up this target were successfully executed during the year
	Manage balance sheet gearing through an approximate match between receipts from disposals and outgoings on development and acquisitions	Net divestment of £377.4m in 2014 replaces net investment of £133.3m in 2013
Maximise development performance	Secure a minimum of £27m of development lettings and conditional lettings	£33.4m of development lettings and conditional lettings achieved in the year
	Achieve planning permission for the following developments: Portland House, SW1, Oxford House, W1, Selly Oak and Westgate, Oxford	Planning permission achieved at Portland House, SW1, Oxford House, W1 (subsequently sold), Selly Oak and Westgate, Oxford (outline)
Ensure high levels of customer satisfaction	Maintain overall customer satisfaction rates in Retail and London customer surveys of 4 (out of 5) or over	Retail 4.35 London 4.15
Attract, develop, retain and motivate high performance individuals	Employee feedback survey (Towers Watson Engagement Survey) to exceed UK national norms	88% engagement score +13% outperformance vs UK national norm
Continually improve sustainability performance	Reduce carbon emissions from like-for-like managed portfolio by 15% by 2020 (against 2010/11 baseline)	Overall performance shows 16% reduction but emissions by portfolio differ: experienced a 7% increase in London offices but saw a 33% reduction in shopping centres (refer to pages 142–143 for details)
	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	Achieved 98% landfill diversion with 72% reused or recycled
	Reduce water use from like-for-like managed portfolio by 10% by 2016 (against 2010/11 baseline)	Overall performance shows a 9% increase. Use by portfolio differs: experienced a 15% increase in London offices and a 7% increase in shopping centres (refer to pages 142–143 for details)

For more information on our Remuneration policy go to: pages 58–65

Data	Remuneration	KPI for 2014–15	Linked to remuneration
TSR performance 2014 27.2% 2013 19.1% 2012 3.3%	50% of the award of long-term share investment plans is determined by the three year TSR performance compared to the comparator group	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	✓
TPR, IPD weighted and IPD universe performance 1 year to 31 March 2014 12.9% 15.0% 13.6% 3 years (annualised) to 31 March 2014 9.6% 9.6% 7.6% LS IPD weighted IPD universe	50% of the award of long-term share investment plans is determined by the three year TPR performance compared to the IPD Quarterly Universe (sector weighted). The same measure, on a one year basis, also determines part of the annual bonus 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	One year and three year Total Property Return (TPR) performance compared to the IPD Quarterly Universe, and compared to the same benchmark, weighted to the sectors in which the Group is invested	✓
Revenue profit 2014 £319.6m 2013 £290.7m 2012 £299.4m	Forms part of the specific business targets which determine a proportion of annual bonus	Revenue profit to exceed internal budget target	✓
Net investment/divestment -£377.4m 2014 2013 £133.3m -£116.7m 2012	Forms part of the specific business targets which determine a proportion of annual bonus	Sale of specific assets to fund our investment activity	✓
£7.9m our share of development lettings at 20 Fenchurch Street, EC3 across 8 leases	Forms part of the specific business targets which determine a proportion of annual bonus	Progress development lettings within our development programme Progress on planning applications	✓
Customer satisfaction ratings 2014 4.35 2014 4.15 2013 4.28 2013 4.05 Retail London	Forms part of the specific business targets which determine a proportion of annual bonus	Maintain overall customer satisfaction rates in Retail and London customer surveys of 4 (out of 5) or over	✓
91% of our people feel that the Leadership Team provide a clear sense of direction. This is 18% above the high-performing companies benchmark	No business-level link to remuneration. Executive Directors' individual targets for the year include a people-related target	• 60% of people managers to have commenced/completed Management Development Programme • 50% of the Top 50 Leaders have accessed the Leadership Development Programme	✓
	No direct link to remuneration	Reduce absolute carbon emissions of our five largest energy consuming managed buildings by 15% by 2020 (against a 2013/14 baseline)	✗
17,926 tonnes of waste diverted from landfill during 2014 from London and Retail Portfolios	No direct link to remuneration	Zero waste to landfill and at least 70% recycled across all our operational and construction activities by 2020	✗
	No direct link to remuneration	Reduce the water use of our five largest water consuming managed buildings by 15% by 2020 (against a 2013/14 baseline)	✗
		Secure employment for 125 candidates through our Employment Strategy	✓

Financial highlights

Total business return

15.5%

Ungeared total property return

12.8%

Increase in adjusted diluted NAV per share

12.2%

FINANCIAL REVIEW

Martin Greenslade reports on our financial performance in detail and explains the movements in our key financial measures.

Our highlights

- Profit before tax £1,108.9m (2013: £533.0m)
- Revenue profit £319.6m, up 9.9%
- Adjusted diluted earnings per share 40.5p, up 10.1%
- Valuation surplus of £763.8m or 7.1%
- Adjusted diluted NAV per share 1,013p, up 12.2%
- Recommended total dividend for the year 30.7p, up 3.0%

Overview and headline results

This year we delivered a profit before tax of £1,108.9m, compared with £533.0m last year, driven by a valuation surplus of £763.8m (including our proportionate share of subsidiaries and joint ventures). Basic earnings per share were 142.3p compared with 68.4p. Underlying earnings were also up; revenue profit was £319.6m compared with £290.7m and adjusted diluted earnings per share improved to 40.5p from 36.8p last year.

Our combined portfolio increased in value over the year by £413.0m to £11.86bn as a result of our valuation surplus of £763.8m, partly offset by net disinvestment. Net assets per share increased by 11.5% to 1,069p at 31 March 2014. Adjusted diluted net assets per share were up by 12.2% over the year, increasing from 903p to 1,013p. This 110p increase in adjusted diluted net assets per share together with the dividend paid in the year represent a 15.5% total business return.

Presentation of financial information

A number of our financial measures include the results of our joint ventures and subsidiaries on a proportionate basis. Measures that are described as being presented on a proportionate basis include the Group's share of joint ventures on a line by line basis, and are adjusted to exclude the non-owned elements of our subsidiaries. This is in contrast to the Group's statutory financial statements, where the Group's interest in joint ventures is presented as one line on the income statement and balance sheet, and all subsidiaries are consolidated at 100%.

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. This year we have shown revenue profit on the face of the income statement alongside the IFRS requirement and provided a more detailed reconciliation of revenue profit to our IFRS profit before tax 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 increased by £28.9m from £290.7m last year to £319.6m in the year ended 31 March 2014. The 9.9% increase was mainly due to higher net rental income, which was up £46.3m, partly offset by higher indirect costs and net interest charges. The increase in net rental income is largely due to the full year impact of the acquisition of a controlling interest in X-Leisure in the prior year and the opening in March 2013 of our developments at Trinity Leeds and 185-221 Buchanan Street, Glasgow. 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, collectively, they represent the net indirect expenses of the Group including joint ventures. In total, net indirect expenses were £83.7m compared with £76.8m last year. The £6.9m increase in these costs is primarily due to higher pre-development spend on assets we do not yet own and increased share based payment costs. Further information on our total costs is given in table 71.

Our net interest expense has increased by £10.5m in part due to higher average debt balances, but also reflecting an end to capitalised interest on our completed developments.

One of the key drivers of our revenue profit is the level of net capital we have invested in our business. In the low interest rate environment in which we are currently operating, the yield on income producing commercial property significantly exceeds our marginal cost of debt, which is below 2%. As a result, net capital investment in any one year – the balance between acquisitions, sales and capital expenditure – has a marked near term impact on revenue profit. This year, ignoring the valuation surpluses over the last two years, the total capital employed in our investment and trading properties averaged £11.2bn, compared with £10.9bn last year as a result of acquisitions made in the Retail Portfolio towards the end of last year and earlier this year. During the year, the net rental income we received from assets acquired since 1 April 2012 was £42.2m, compared with £9.9m last year.

At 31 March 2014, the net capital employed in our properties on the same basis was £11.0bn. The reduction is as a result of asset sales made later in the financial year. The assets we have now sold contributed £34.5m to net rental income this year. While there is a small interest benefit from the sale proceeds, this will be insufficient to offset the negative impact on next year's revenue profit from these sales. The extent to which this impact can be offset is dependent on the timing and scale of new investment opportunities. In contrast, if we believe there are compelling reasons to make further disposals, we will do so even if there is a further impact on our revenue profit. Our capital decisions are not made on the basis of the near-term impact on revenue profit alone but from the perspective of total return over the longer term.

Valuation surplus and disposal profits

The movement in the values of our investment properties and any profits or losses on disposals are key components of our pre-tax profit. Over the year, the valuation surplus on our combined portfolio was £763.8m, or 7.1%. We made a profit on the disposal of investment properties and joint ventures of £18.1m, compared with a loss of £3.1m last year. A breakdown of the valuation surplus by category is shown in table 5.

Revenue profit — Table 4

	Retail Portfolio £m	London Portfolio £m	31 March 2014 £m	Retail Portfolio £m	London Portfolio £m	31 March 2013 £m	Change £m
Gross rental income[1]	367.1	264.3	631.4	313.8	276.1	589.9	41.5
Net service charge expense	(3.4)	–	(3.4)	(2.5)	0.3	(2.2)	(1.2)
Net direct property expenditure	(28.5)	(5.5)	(34.0)	(30.6)	(9.4)	(40.0)	6.0
Net rental income	335.2	258.8	594.0	280.7	267.0	547.7	46.3
Indirect costs	(28.0)	(19.2)	(47.2)	(23.4)	(16.9)	(40.3)	(6.9)
Segment profit before interest	**307.2**	**239.6**	**546.8**	257.3	250.1	507.4	39.4
Net unallocated expenses			(36.5)			(36.5)	–
Net interest expense – Group			(168.0)			(149.2)	(18.8)
Net interest expense – joint ventures			(22.7)			(31.0)	8.3
Revenue profit			**319.6**			290.7	28.9

1. Includes finance lease interest, net of rents payable.

Valuation analysis — Table 5

	Market value 31 March 2014 £m	Valuation surplus %	Rental value change[1] %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Shopping centres and shops	2,410.3	2.3	0.9	5.9	6.0	(16)
Retail warehouses and food stores	1,122.5	(0.3)	(1.3)	5.5	5.8	(17)
Leisure and hotels	502.1	6.5	2.7	6.4	6.4	(27)
London offices	3,351.8	7.0	1.8	4.6	5.1	(38)
Central London shops	876.3	16.8	1.9	3.8	4.9	(46)
Other (Retail and London)	106.7	5.1	1.8	3.2	4.3	(14)
Total like-for-like portfolio	**8,369.7**	**5.4**	**1.1**	**5.1**	**5.5**	**(30)**
Proposed developments	–	–	n/a	–	n/a	n/a
Completed developments	1,170.2	5.7	(0.8)	4.1	5.1	(15)
Acquisitions	802.4	1.1	n/a	6.0	6.4	n/a
Development programme	1,517.1	22.3	n/a	0.3	5.0	n/a
Total combined portfolio	**11,859.4**	**7.1**	**0.9**	**4.4**	**5.4**	**(29)**

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

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS ADDITIONAL INFORMATION

In aggregate, the like-for-like portfolio saw values rise by 5.4% for the year to 31 March 2014 driven by a combination of a 30 basis point reduction in equivalent yields and rental values up 1.1%.

Shopping centres increased in value by 2.3% driven by yield compression of 16 basis points. Retail warehouses and food stores were down marginally; despite smaller lot sizes benefiting from increased investor demand, our larger lot sizes continued to be impacted by lower demand and a fall in rental values. Leisure and hotels reported a 6.5% valuation surplus as equivalent yields reduced by 27 basis points and rental values grew by 2.7%. London offices were 7.0% higher, primarily due to yield compression of 38 basis points. Central London shops rose in value by 16.8% driven by yield compression of 46 basis points, a 1.9% increase in rental values and some asset improvement initiatives, notably at Piccadilly Lights, W1.

Outside the like-for-like portfolio, completed developments increased in value by 5.7% due to a small inward movement on yields and further lettings, while the development programme was up 22.3% following continued construction and pre-letting progress on our major schemes particularly 20 Fenchurch Street, EC3 and 62 Buckingham Gate, SW1.

Earnings per share

Basic earnings per share were 142.3p, compared with 68.4p last year, primarily due to the significant increase in the valuation surplus.

Similar to the adjustments we make to profit before tax, which remove capital and one-off items to give revenue profit, we also report adjusted earnings per share figures. Adjusted diluted earnings per share increased by 10.1% from 36.8p last year to 40.5p per share this year as a result of the increase in revenue profit.

Total dividend

We are recommending a final dividend of 7.9p per share to be paid on 22 July 2014. Taken together with the three quarterly dividends of 7.6p, our full year dividend will be up 3.0% at 30.7p per share (year ended 31 March 2013: 29.8p) or £241.4m (year ended 31 March 2013: £232.4m).

In line with our comments in the half-yearly results in November last year and subsequent communication to shareholders, we have suspended our scrip dividend following payment of the third interim dividend in April 2014 and introduced a dividend reinvestment plan.

All of the cash dividends paid and payable in respect of the year ended 31 March 2014 comprise Property Income Distributions (PIDs) from REIT qualifying activities. In contrast to the cash dividends, none of the scrip dividends have been PIDs.

Net assets

At 31 March 2014, our net assets per share were 1,069p, an increase of 110p or 11.5% from 31 March 2013. The increase in our net assets was primarily driven by the increase in value of our investment properties, profits on disposal of investment 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 increase our debt to its nominal value. At 31 March 2014, adjusted diluted net assets per share were 1,013p per share, an increase of 110p or 12.2% from 31 March 2013.

Table 6 summarises the main differences between net assets and our adjusted measure of net assets together with the key movements in the year.

Net assets — Table 6

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Net assets at the beginning of the year	**7,486.7**	7,155.4
Adjusted earnings	**319.1**	288.2
Valuation surplus on investment properties	**763.8**	217.5
Profit/(loss) on disposal of investment properties	**16.0**	(1.6)
Profit on disposal of investments in joint ventures	**2.5**	–
Profit on disposal of trading properties	**2.4**	38.0
Other	**12.8**	(9.1)
Profit after tax	**1,116.6**	533.0
Cash dividends	**(175.6)**	(178.4)
Purchase of own shares and treasury shares	**(16.0)**	(34.9)
Other reserve movements	**6.6**	11.6
Net assets at the end of the year	**8,418.3**	7,486.7
Fair value of interest-rate swaps	**3.6**	24.5
Debt adjusted to nominal value	**(413.2)**	(432.8)
Adjusted net assets at the end of the year	**8,008.7**	7,078.4

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

Gearing — Table 7

	31 March 2014 %	31 March 2013 %
Adjusted gearing[1] – on a proportionate basis	**49.3**	60.6
Group LTV	**35.7**	40.2
Group LTV – on a proportionate basis	**32.5**	36.9
Security Group LTV	**35.5**	37.7

1. Adjusted net debt divided by adjusted net asset value.

Net debt and gearing

Over the year, our net debt decreased by £368.1m to £3,330.5m. The main elements behind this decrease are set out in our statement of cash flows. Operating cash inflow after interest and tax was £158.6m, lower than the £246.7m received last year primarily due to some £40m of interest costs related to last year being paid this year. In addition, we are required to include capital expenditure on, and disposal proceeds from, trading properties as part of our operating cash flow. Last year, we had net capital receipts of £71.8m, largely due to the sales of apartments at Wellington House, SW1, compared with net capital payments of £11.0m this year.

We spent £123.4m on acquisitions in the year, primarily the purchase of a further 35.6% of the units in X-Leisure together with the cash payment for the 5% interest acquired in late March 2013. Capital expenditure was £223.7m, largely relating to our wholly owned developments in Victoria, and we contributed a net £83.5m to our joint ventures to fund developments at 20 Fenchurch Street, EC3 and Nova, Victoria, SW1. Offsetting these investments in our portfolio were sales proceeds of £821.9m, primarily from Bankside 2 & 3, SE1, Overgate, Dundee and Oxford House, W1.

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 down £341.9m to £3,948.3m (31 March 2013: £4,290.2m).

A reconciliation between net debt and adjusted net debt is given in note 21 to the financial statements.

Table 7 left sets out various measures of our gearing.

With an increase in our asset values and lower debt compared with last year, our gearing measures have all declined. 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 decreased from 36.9% at 31 March 2013 to 32.5% at 31 March 2014. Our strategy at this stage in the property cycle of allowing gearing to decline as property values rise remains unchanged.

Our Security Group LTV saw a smaller decline to 35.5% (31 March 2013: 37.7%), as a result of expenditure on 20 Fenchurch Street, EC3 and the acquisition of additional units in X-Leisure, both of which are held outside the Security Group.

Financing

The total capital of the Group consists of shareholders' equity and adjusted net debt. Since IFRS requires us to state a large part of our net debt at below its nominal value, we view our capital structure on a basis which adjusts for this. Details of our main sources of capital are given in notes 21 and 22 to the financial statements.

During the year, we refinanced a £165m bilateral revolving credit facility that was due to expire in May 2014, replacing it with a £250m facility maturing in September 2018. This brings to £385m the total pool of committed facilities which extend beyond December 2016, the expiry date of our £1,085m revolving credit facility. In addition, we also agreed a new £100m bilateral revolving credit facility which matures in August 2016 and a short-term bilateral facility of £500m maturing in June 2014. The pricing of our facilities which fall due in more than one year range from LIBOR +115 basis points to LIBOR +120 basis points.

The weighted average duration of the Group's debt (on a proportionate basis) is 9.3 years with a weighted average cost of debt of 5.0%, and 94.5% at fixed interest rates. At 31 March 2014, we had £1.1bn of cash and available facilities. This gives the business considerable flexibility to deploy capital quickly should an acquisition opportunity arise.

American Depositary Receipt (ADR) programme

The Group has a significant US shareholder base and, in order to provide these investors and potential new US investors with a dollar denominated method of holding the Company's shares, the Group applied on 2 May 2014 to the SEC in the US for registration of a Sponsored Level One ADR programme which was registered on 14 May 2014. Under the Depositary Agreement, the Depositary, Citi, acting through Citibank N.A., converts the Company's ordinary shares into American Depositary Shares, represented by ADRs, in the ratio of one ADR for one ordinary share. The ADRs are quoted in US dollars and holders of ADRs will receive dividends in US dollars. As an over-the counter, non-capital raising programme, the Company does not fall within the Sarbanes-Oxley compliance regime and the ADRs are also exempt from SEC registration, reporting and US GAAP reconciliation.

Environmental reporting

In addition to the financial performance of our assets, we also recognise the importance of ensuring we improve their environmental performance. We are determined to see our assets play an important role in shaping the built environment for good.

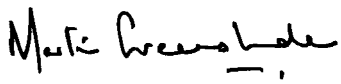
As at 31 March 2014, we report an overall reduction of 16% against our 2011 baseline target (like-for-like) for normalised equivalent CO_2 emissions. This is increasingly important to us as it becomes more so for our customers. As we see the cost of energy increasing and the security of supply under threat, we are helping customers reduce the variable costs of their occupancy by making the buildings more efficient.

Detailed analysis of the overall reduction shows divergence across the Group. In the London Portfolio, normalised equivalent CO_2 emissions increased. This is due to a number of factors: the disposal of buildings with simple service infrastructure and inclusion in the like-for-like portfolio of sites with full infrastructure; Thomas More Square, E1, being only part occupied in the baseline year; and greater occupational density. As occupational density increases, recording building-by-building data and reporting against both landlord and occupier demises means we can work directly with occupiers to increase efficiency on a real-time basis.

Across the Retail Portfolio, we saw a reduction in normalised equivalent CO_2 emissions. This reduction was experienced predominantly in our shopping centres. This can be credited partly to the move away from enclosed malls to a more open, naturally ventilated urban design in our new centres, with greater reliance on daylighting and energy efficient LED lighting to the public spaces.

Taxation

As a consequence of the Group's REIT status, income and capital gains from our qualifying property rental business are exempt from UK corporation tax. A tax credit of £7.7m arose in the year (31 March 2013: £nil), being a current year charge of £0.9m and a prior year credit of £8.6m arising from release of provisions and settlement of historical issues.



Martin Greenslade
Chief Financial Officer

Our approach to gearing

Table 8

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 unlet 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.

RETAIL PORTFOLIO REVIEW

Highlights

Valuation surplus

2.2%

Investment lettings

£18.3m

Development lettings

£2.3m

Objectives	Progress at 31 March 2014	Objectives for 2014/15
Outperform IPD sector benchmark	The total return of the Retail Portfolio was 8.5% outperforming its IPD sector benchmark at 8.0%	Outperform IPD sector benchmark
Complete the letting of Trinity Leeds	97% let	Complete the letting of Bishop Centre, Taplow
Progress pre-lettings at Buchanan Galleries, Glasgow	16% pre-let	Progress pre-lettings at Buchanan Galleries, Glasgow and Westgate Centre, Oxford
Submit planning application for Westgate Centre, Oxford	Planning application submitted and outline consent achieved	Achieve reserved matters consent at Buchanan Galleries, Glasgow, Westgate Centre, Oxford and Ealing Filmworks
Achieve pre-lettings on our edge-of-town development programme and progress planning applications	Conditional letting levels: Maidstone: 37%; Hull: 22%; and Others: nil. Planning applications submitted for Salisbury, Maidstone and Ealing Filmworks	Progress on conditional pre-lettings on our edge-of-town development programme
Achieve planning permission for the Selly Oak development in partnership with Sainsbury's	Planning permission granted	Continue the transformation of the portfolio to dominance, experience and convenience
Complete developments at Crawley and Chadwell Heath	Both developments completed, with Chadwell Heath subsequently sold	Expand employment programme into retail service providers
Sale of specific assets to fund our investment activity	We planned the sale of two assets. Bon Accord & St Nicholas Centre, Aberdeen was sold for £94.4m (our share) as planned. The second asset was not sold	

In a demanding and fast-moving market, we have kept a sharp focus on our customers' changing needs, increased occupancy, sold weaker assets, added further to our leisure offer and nurtured a pipeline of development opportunities.

Buy

During the year we added a further 35.6% to our ownership of X-Leisure, the largest portfolio of leisure property in the UK, and now own 95% of the fund. We have also fully integrated the X-Leisure team into our own business, which has further strengthened our expertise in leisure and catering as this sector becomes an increasingly important part of the retail consumer experience.

Develop

Following its opening in March 2013, Trinity Leeds ended this financial year 97% let and attracted 22 million visitors in its first year. We opened the award-winning Trinity Kitchen street food market in the autumn; this has proved very popular and further strengthened the leisure offer in the centre. The opening of Primark in December has added substantial footfall, as has our imaginative use of social media, pop-up stores and events. Bishop Centre, Taplow, our 101,500 sq ft edge-of-town scheme, is taking shape and is set to complete in July. It is 85% pre-let or in solicitors' hands.

Development offers the opportunity for outperformance but comes with greater risk. We have continued to nurture our pipeline of opportunities and are working hard on plans for potential schemes including Oxford, Glasgow and Ealing – and edge-of-town schemes including Selly Oak, Maidstone and Worcester. We will remain disciplined in evaluating which of these schemes to pursue.

Manage

With our relentless focus on asset management, we increased the volume of investment lettings compared with last year, reducing like-for-like voids across the portfolio to 2.6%. This reflects the quality of our assets and customer relationships.

We constantly look to enhance our assets to ensure they meet the changing needs of retailers and shoppers. At the White Rose shopping centre in Leeds, for example, we have received planning permission for a cinema and more food outlets to enhance the shopping and leisure experience. Despite the excitement and footfall generated by the opening of Trinity Leeds, White Rose has continued to trade well.

Sell

We have continued to rebalance our portfolio in line with the changes in our sector, selling assets that are less likely to thrive. This year we sold assets in Livingston, Liverpool, Welwyn Garden City and Chadwell Heath. We also sold the Bon Accord & St Nicholas Centre in Aberdeen, which we held in a joint venture with British Land. And we sold the Overgate Centre in Dundee. This was an asset we bought in 2010 at a higher price and the sale demonstrates how quickly consumer behaviour is changing and how this influences our decision-making. Although the centre trades well at the moment, the experience cannot be improved without disproportionate capital expenditure.

Outlook

While economic conditions have improved and consumer spending is set to increase, the benefits of this will not be felt uniformly across the retail market. The structural changes that have deeply affected the sector over recent years will continue, particularly the effect of multichannel retailing, growth in demand for great experiences and convenience, and an increasing polarisation between the best retail destinations and the rest.

These changes are producing challenges for everyone in the sector, but they are also providing opportunities for those able to evolve their offer in line with changing consumer behaviour. We believe total demand for floor space will further decrease across the sector, but demand for the right space in the best locations will continue.

Unless we see buying opportunities that suit these market dynamics, our focus will remain on developing assets that do, and selling assets that do not.

Net rental income

Table 9

	31 March 2014 £m	31 March 2013 £m	Change £m
Like-for-like investment properties	**245.8**	237.6	8.2
Proposed developments	**–**	–	–
Development programme	**(0.1)**	(0.7)	0.6
Completed developments	**26.8**	5.0	21.8
Acquisitions since 1 April 2012	**40.8**	10.1	30.7
Sales since 1 April 2012	**15.9**	24.4	(8.5)
Non-property related income	**6.0**	4.3	1.7
Net rental income	**335.2**	280.7	54.5

Net rental income increased by £54.5m, from £280.7m to £335.2m. The increase is largely due to our completed developments, combined with income from acquisitions we made in the second half of last year, notably our interest in X-Leisure and The Printworks, Manchester. Completed developments have contributed an additional £21.8m of income, primarily due to the opening of Trinity Leeds in March 2013. The £8.2m increase within like-for-like is largely due to new lettings, improved turnover rent performance and lower bad debts.

Highlights

Valuations

- Valuation surplus of 2.2%
- Ungeared total property return was 8.5%
- The portfolio outperformed its IPD Quarterly Universe sector benchmark at 8.0%
- £18.3m investment lettings
- £2.3m development lettings

Voids

- Like-for-like voids were 2.6% (2013: 2.9%)
- Units in administration were 0.8% (2013: 2.4%)

Footfall and sales

- Footfall in our shopping centres was down 0.8% (national benchmark down 2.6%)
- Same store sales were up 0.9% (national benchmark up 2.1%)
- Same centre sales, taking into account new lettings and tenant changes, were up 4.7%
- Measured retailers' rent to sales ratio was 10.2%
- Total occupancy costs (including rent, rates, service charges and insurance) represented 17.8% of sales

What difference does it make?

During the construction phase of Trinity Leeds we recorded the scheme's socio-economic impact on the local area. With the centre now open, our research has focused on its ongoing contribution. We have found, for example, that more than 90% of people working at Trinity Leeds live locally, and that wages of £40 million were paid in the first 12 months of operation. Our socio-economic impact studies are now helping local authorities in other cities to assess the likely benefits of development – and of working with Land Securities.

For more information on our Retail Portfolio go to: **pages 134–147**

For more information on our approach to sustainability and responsibility go to: **pages 140–143**

LONDON PORTFOLIO REVIEW

Highlights

Valuation surplus

11.9%

Investment lettings

£5.3m

Development lettings

£24.3m

Objectives	Progress at 31 March 2014	Objectives for 2014/15
Outperform IPD sector benchmark	The total return of the London Portfolio was 16.8% underperforming its IPD sector benchmark at 21.2%	Outperform IPD sector benchmark
Complete the letting of 123 Victoria Street, SW1	93% let	Complete the letting of 62 Buckingham Gate and 20 Fenchurch Street
Progress development lettings at 62 Buckingham Gate, SW1, 20 Fenchurch Street, EC3 and 1 & 2 New Ludgate, EC4	62 Buckingham Gate: 65% let; 20 Fenchurch Street: 87% let; and 1 & 2 New Ludgate: nil	Progress development lettings at 1 & 2 New Ludgate and The Zig Zag Building
Demolition of 1 New Street Square, EC4	Demolition completed and site handed over to contractor	Progress planning applications and obtain planning permission at 6 Castle Lane, SW1
Obtain planning permission at Portland House, SW1 and Oxford House, W1	Planning permission obtained at both of these schemes. Oxford House was subsequently sold	Progress to revised time and to budget at our committed developments
Progress on time and to budget at The Zig Zag Building, Kings Gate, Nova, Victoria, all SW1 and 20 Fenchurch Street, EC3	Completion at The Zig Zag Building and Kings Gate has been delayed by two months. Nova, Victoria is on time and to budget. 20 Fenchurch Street is to budget. The office space is on time. Completion of the sky garden is now expected in August of this year	Secure employment for 125 candidates via our training programme of school leavers, long-term unemployed and ex-offenders
Sale of specific assets to fund our investment activity	Sale of Bankside 2 & 3, SE1 completed as planned	

We have strong momentum behind our developments which are being delivered into the right market conditions. We are securing good lettings and residential sales.

Buy

We saw a high number of assets put up for sale in the market but there is also a high level of capital competing for opportunities. Given the effect of this on property values, we chose to make no major acquisitions, preferring to invest £246.4m in our existing assets and our development programme.

Develop

Given emerging supply-constrained conditions, we have moved forward at pace with construction while working hard to secure lettings.

In the City, 20 Fenchurch Street, EC3 was 87% let at the year end, well ahead of our expectations. Occupiers started to fit out in the spring. A solar glare issue drew attention to the building for the wrong reasons but did nothing to deter lettings, with 200,000 sq ft taken up in the months after the problem materialised. Our brise soleil solution has gained planning approval and installation will start shortly. It will not interfere with the customer fit-out or occupation. The cost involved has not altered our original estimated total cost of the building. Construction of the sky garden – the top three floors – has required complex engineering and delayed the space by four months and it will be completed in August.

Reflecting our confidence in the market, we started construction at 1 & 2 New Ludgate, EC4 and 1 New Street Square, EC4 during the year. We have secured the construction contracts at competitive rates and aim to deliver these schemes in 2015 and 2016 respectively. New Ludgate has attracted strong interest and is now 49% pre-let with a further 12% in solicitors' hands.

Across town, we have made solid progress in Victoria, SW1. 123 Victoria Street is now fully let. 62 Buckingham Gate is now 65% let. The pace of letting has been slower than planned but the rents achieved have been higher.

During the year, construction started at The Zig Zag Building, Kings Gate and our Nova, Victoria joint venture, all SW1 and we also committed to 20 Eastbourne Terrace, W2 and the second phase of Oriana, W1. We expect to deliver these into continued favourable market conditions in 2015 (The Zig Zag Building and Kings Gate) and 2016 (Nova, Victoria, 20 Eastbourne Terrace and Oriana).

We are pleased with the speed and price point of residential sales at both Kings Gate and Nova, Victoria, SW1, where in aggregate 73% of the 270 residential apartments have been pre-sold. At Portland House, SW1, we secured planning permission for 206 residential apartments, but are extending existing office leases to 2016 whilst we work up detailed plans. We are also maintaining the option of either a residential development or retaining the office use.

Manage

This year customer retention remained high, although void levels increased from 0.9% to 1.6%. At Cardinal Place, SW1, we have extended our weighted average lease lengths on 20% of the space from 4.2 years to 10.5 years. At Piccadilly Lights, W1, lease restructurings with Barclays, Boots and Gap enabled us to expand our advertising screens, increasing rents on the units involved from £4.6m to £7.6m.

Sell

We are prepared to sell any asset at the right price. This year we made disposals of £594.5m including our 50% share in Empress State Building, SW6; Bankside 2 & 3, SE1; 3–5 Harbour Exchange, E14; and Oxford House, W1.

Outlook

We expect to see a shortage of Grade A office space until at least late 2016. The market balance beyond that will depend on the development response to improved market conditions. The next 12 months will see us focus on developing to time and budget, letting office space, selling residential space and increasing lease lengths as we begin to de-risk our portfolio. Any new development commitments are likely to require pre-lettings.

Highlights

- Valuation surplus of 11.9%
- Ungeared total property return of 16.8%
- The portfolio underperformed its IPD Quarterly Universe sector benchmark at 21.2%
- £5.3m investment lettings
- £24.3m development lettings
- Like-for-like voids were 1.6% (2013: 0.9%)

Community heating in Victoria

The Greater London Authority's Plan for London includes a target for 25% of London's energy to be provided by community heating schemes by 2025. Part of our response to this is the Energy Centre at our Nova, Victoria, SW1 development, a community scheme that will provide our Victoria portfolio with low-carbon power, heating and cooling. Surplus electrical energy will be exported to National Grid. We will also use spare heating capacity to supply the neighbouring district heating scheme in Pimlico, helping to increase energy efficiency in the Capital.

Net rental income — Table 10

	31 March 2014 £m	31 March 2013 £m	Change £m
Like-for-like investment properties	**202.8**	205.3	(2.5)
Proposed developments	**–**	–	–
Development programme	**9.1**	6.1	3.0
Completed developments	**22.1**	20.1	2.0
Acquisitions since 1 April 2012	**1.4**	(0.2)	1.6
Sales since 1 April 2012	**18.6**	31.1	(12.5)
Non-property related income	**4.8**	4.6	0.2
Net rental income	**258.8**	267.0	(8.2)

Net rental income decreased by £8.2m to £258.8m, as a result of properties sold in the year. Net rental income from like-for-like properties reduced by £2.5m as a result of a prior year surrender receipt, partially offset by rights of light receipts in the current year. The development programme contributed an additional £3.0m of income, largely due to lettings achieved at 123 Victoria Street and 62 Buckingham Gate, both SW1, and completed developments increased by £2.0m, reflecting the full year benefit of lettings completed at One New Change, EC4 in the prior year.

For more information on our London Portfolio go to: **pages 134–147**

For more information on our approach to sustainability and responsibility go to: **pages 140–143**

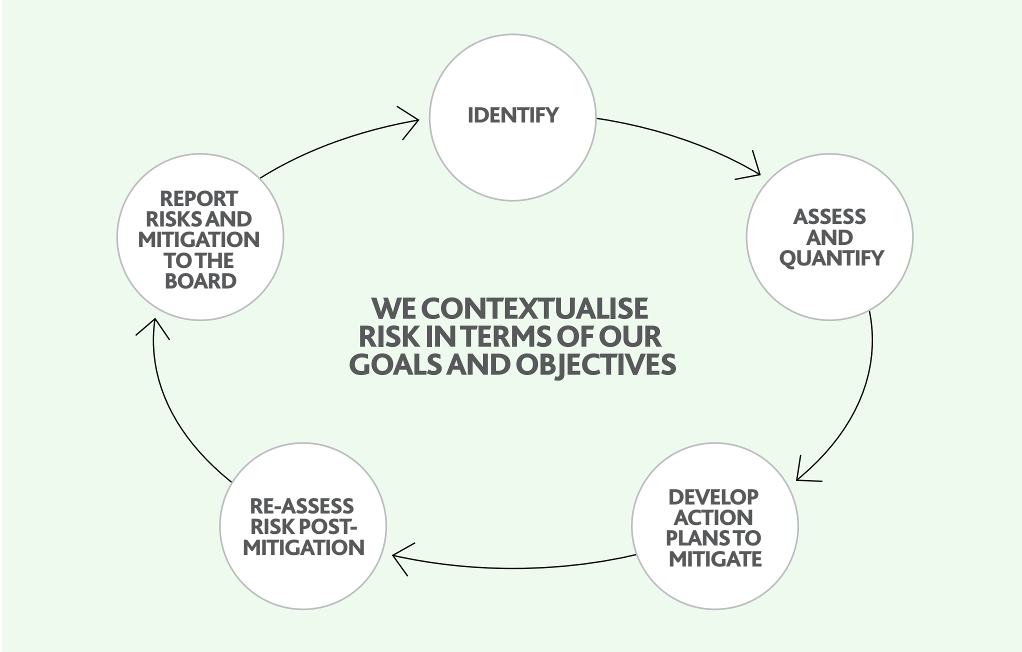
OUR PRINCIPAL RISKS AND HOW WE MANAGE THEM

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 overall responsibility for the risk management framework clearly rests with the Board, managing risk is embedded as part of our everyday business activities and culture with all our employees having a role to play.

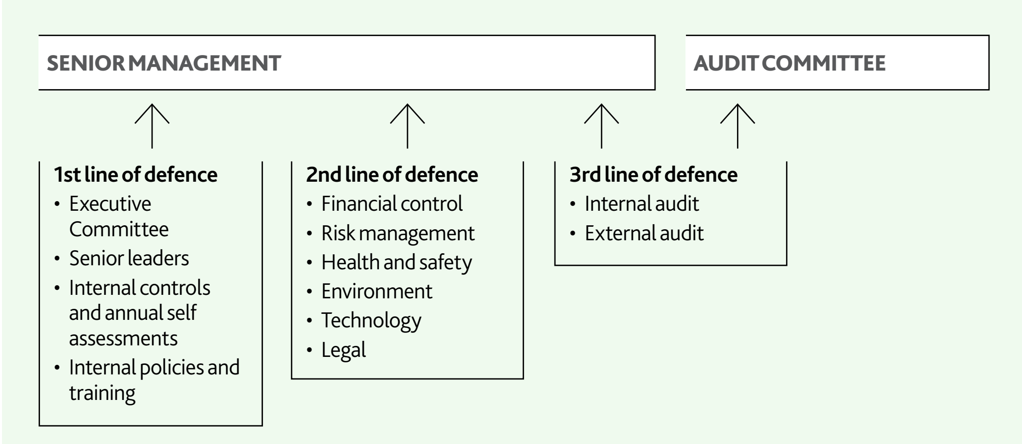
Importantly the Board perceives risk not only as having a potential negative influence on the business but also as an opportunity that can be a source of financial outperformance as we have expertise to take and manage risks others cannot.

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

Risk management process Diagram 11



Risk and control – 'Three lines of defence' Diagram 12



Risks in the context of our strategic goal and objectives

Table 13

We have set ourselves clear strategic objectives against which we measure our performance:

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.

In the same way that we measure our performance against these objectives, we also consider our risks and their potential impact on these objectives as well as our approach to mitigating those risks. We have set out our principal risks below and grouped them together under the strategic objectives most likely to be impacted.

Change from last year

- Increased
- No change
- Reduced

Maximise the returns from the investment portfolio

Risk description	Impact	Mitigation	Change from 2012/13
Customers • Concerns over the economic recovery • Pressure on consumer spending.	• Shift in consumer demand with consequent impact on new lettings, renewal of existing leases and rental growth • Retailers unable to meet existing rental commitments.	• Large and diversified customer base (no single customer represents more than 4.8% of rents); • Of our income 71.4% is derived from customers who make less than a 1% contribution to rent roll; • Consistent demand for the best retail properties in terms of experience and/or convenience; • Active development programme to maintain a modern office portfolio well suited to customer requirements; • Experienced asset management team; • Strong relationships with customers.	No change
Market cyclicality • 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 £74.1m; • Generally favour full control and ownership of assets (13.5% of assets currently in joint ventures); • Average unexpired lease term of 9.0 years (with a maximum of 11.0% of gross rental income expiring or subject to break clauses in any single year).	No change
Acquisitions • Inability to acquire new assets to replace properties that have been sold.	• Reduction in revenue profits.	• Experienced investment team; • Flexibility to invest in either of the two largest sectors in the UK property market; • Ability to control level of property sales.	Increased There continues to be a lack of attractively priced assets in both the London and Retail sectors.

Manage our balance sheet effectively

Risk description	Impact	Mitigation	Change from 2012/13
Liability structure • 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 £985m of bilateral facilities which mature between June 2014 and September 2018; • 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 2014 is 9.3 years; • Modest gearing (Security Group LTV at 31 March 2014 of 35.5%).	Reduced The cost and availability of medium and long-term facilities has continued to improve.
• Liability structure is unable to adapt to changing asset strategy or property values.	• Too much bond debt; not enough drawn bank debt • Insufficient term on the flexible debt (in the revolver) • Bank debt not drawable due to high LTV.	• 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; • Continuous review of level of drawn bank debt to ensure flexibility maintained; • Our principal debt funding structure benefits from financial default only being triggered at 1 times Security Group interest cover ratio (currently 4.5 times) or 100% Security Group LTV (currently 35.5%); • Aim to align length of bank facilities with our view on property cycle; • 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%.	No change

Maximise development performance

Risk	Impact	Mitigation	Change from 2012/13
Development • Occupiers reluctant to enter into commitments to take new space in our developments.	• Negative valuation movements • Reduction in income.	• Amount of speculative development restricted so that the impact of failing to lease the unlet element of our development programme does 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 market cycle and likely customer demand before committing to new developments and secure pre-lets where appropriate; • Assessment of developments against hurdle rates.	▼ Customer appetite to take on new space has improved, particularly within the London office sector. It is still variable within the Retail sector. Refer to our development programme in table 99.

Attract, develop, retain and motivate high performance individuals

Risk	Impact	Mitigation	Change from 2012/13
People • 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 to identify issues early; • Succession planning and talent management; • High profile, cutting edge developments and assets to manage.	▲ Due to the high regard held within the sector of our development people, they are increasingly being targeted by our competitors.

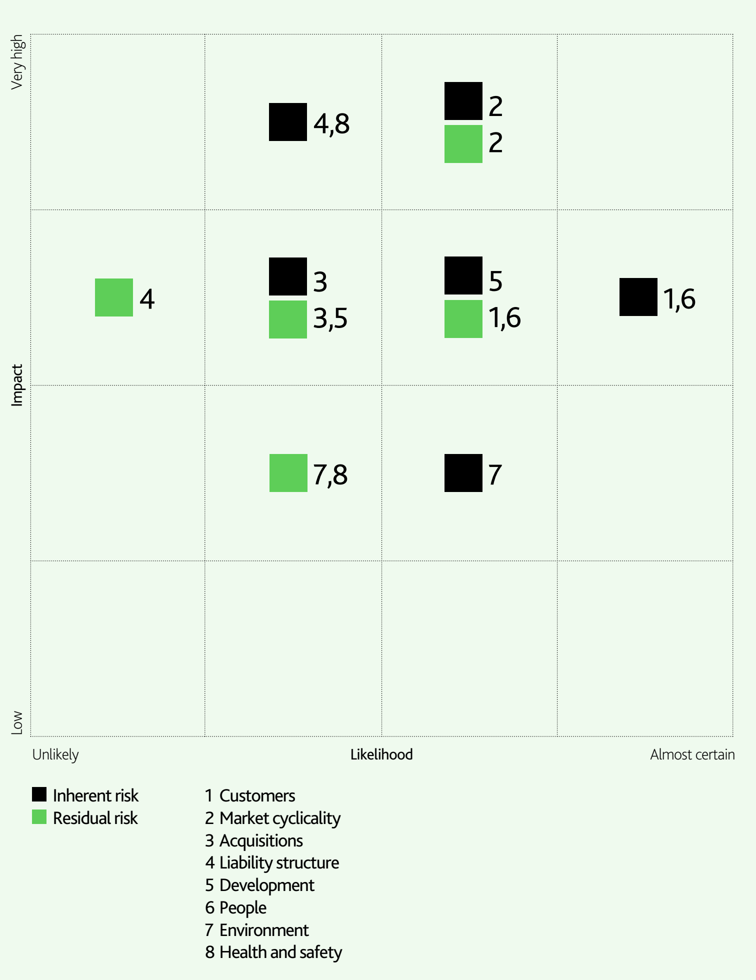
Continually improve sustainability performance

Risk	Impact	Mitigation	Change from 2012/13
Environment • Properties do not comply with legislation or meet customer expectations.	• Increased cost base • Inability to attract or retain customers.	• Dedicated specialist personnel; • ISO 14001 certified environmental management system; • Active involvement in legislative working parties; • Active environmental programme addressing key areas of energy and waste.	—
Health and safety • Accidents causing injury to employees, contractors, occupiers and visitors to our properties.	• Criminal/civil proceedings and resultant reputational damage • Delays building projects and can restrict access to shopping centres.	• Regular Board reporting; • Dedicated specialist personnel; • Annual cycle of health and safety audits; • Established policy and procedures including ISO 18001 certification; • CEO chairs Group Health & Safety Committee.	—

Current assessment of principal risks

The inherent and residual positioning of our principal risks are illustrated in the diagram below 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.

Current assessment of principal risks — Diagram 14



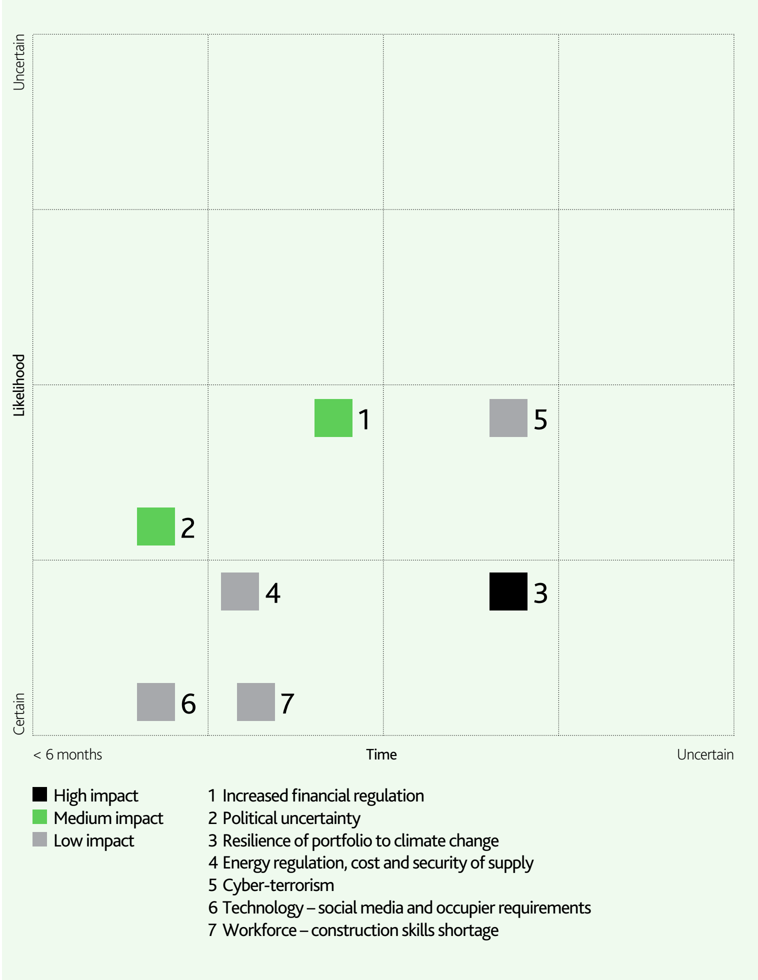
Emerging risks

Emerging risks are those for which the extent and implications are not yet fully understood.

This year, we have engaged different groups of people in identifying the emerging risks. As well as those identified by management, we have consulted a number of stakeholders in determining what emerging socio-economic and environmental risks they consider important. Identified through a formal materiality process detailed in our CR Report (www.landsecurities.com/responsibility), our investors, customers, employees, community stakeholders and supply chain partners contributed their views on the risks they face, and those we can help them address.

The risks featured below represent the combined view of our management and our key stakeholders.

Emerging risks — Diagram 15



PEOPLE AND VALUES

We are enhancing the way we work and organise ourselves so we can keep meeting our customers' needs and thrive in a fast-moving world.

Over the last 12 months we have conducted a comprehensive survey of the issues of most importance to our stakeholders. This exercise involved talking to everyone from office and retail occupiers to investors, employees, supply chain employees, partners, and people in the wider community.

It became clear that one issue our stakeholders considered of key importance is the quality and well-being of their people. That view is shared inside the Company. For us, first and foremost, that means our own employees but also those working within our supply chain and for our customers. This section looks at the actions we are taking to help people perform and prosper when working for and with Land Securities.

Our employees

We aim to attract, develop and motivate high performance individuals. The quality and commitment of our people helps set us apart. We want employees who are ambitious for themselves and the Company, and this means being proactive about understanding the changing needs of our customers, and being willing to take broad accountability for ensuring that their evolving requirements are met.

Over the year we enhanced our communications to ensure we can keep attracting talented people. This involved a complete redesign of the materials we use to attract new joiners and develop our employees, under the 'No 1 Place' brand. This will first be used to attract school leavers onto our new Trainee Academy which will launch over the summer. This work has tied into a wider project – known internally as 'Shaping the future for good' – that aims to inspire our people to make a real difference for everyone affected by what we do, from our customers and local communities to our shareholders and the wider world.

Management changes

During the year, executive director Richard Akers announced that he would be stepping down from the Board and he subsequently left the Company on 31 March 2014. During his 19 years at the Company Richard created very strong relationships with retailers and was a driving force in the retail property sector.

Richard's position has not been replaced directly at Board level. Instead, we have expanded our Executive Committee and its remit in terms of oversight of the Company's operations. This Committee comprises the Chief Executive, Chief Financial Officer, General Counsel, Human Resources Director and two new roles: Managing Director, Retail and Managing Director, London.

Scott Parsons has been appointed Managing Director, Retail and Colette O'Shea appointed Managing Director, London. Colette and Scott have end-to-end accountability for all aspects of investment, asset management and development in their area. This new structure enables Robert Noel to have a clear view across the business, shortens reporting lines and creates one team at the head of the Company.

Our organisation

It is vital that the context in which our business operates drives the way we organise ourselves, not the other way around. This means being clear about those teams and activities which need to be dedicated to the London and Retail businesses, and those where a group-wide perspective will not only make us more efficient, but enable us to respond more quickly.

During the year we simplified our decision making structure to make sure that people are both empowered to make a difference and accountable for what they do. Across the London and Retail portfolios we are establishing common roles and job titles. And we are encouraging our people to develop their careers across business units, enabling them to become more rounded leaders, and bring greater perspective to the decisions that they make.

Learning and recognition

During the year we launched a new learning and development strategy to help employees gain the expertise and skills needed to succeed. The first phase of this saw the launch of a new 'Positive Impact' management programme, under the 'No 1 Place' brand, aimed at those leading a team for the first time. This will be followed by a new leadership programme for senior managers. This work is in addition to our continued focus on mandatory training areas such as health and safety.

We know that a range of rewards, not just money, motivates most people so this year we relaunched our business-wide recognition programme 'People into Action'. This gives everyone the opportunity to nominate their colleagues, including service partners, for recognition, which can range from a simple 'ethankyou' to a significant cash sum awarded to individuals or teams. In developing our ideas on recognition, the senior HR team worked closely with the Exchange Forum, our business-wide representative. This group of eight people doing different roles across the business provides the senior team with invaluable support in making Land Securities a great place to work, including ensuring that ideas and suggestions from all levels, and all teams, are given proper consideration. Robert Noel now takes part in the Forum, which meets quarterly.

Employee feedback

This year we conducted a comprehensive engagement survey across the business. The results demonstrated that the biggest areas of concern in the 2012 survey – performance management, and the ability to raise concerns – had been addressed effectively. Key results from the survey:

- Our overall response rate of 77% remains the same as last year's Pulse survey.
- Our overall Engagement and Sustainable Engagement scores of 88% positive are broadly the same as two years ago, but we remain ahead of both the Towers Watson UK national norm and the UK High Performance norm.
- Overall improvements in the scores are seen in the categories of Performance, My Job, Leadership and My Team, with our greatest gains being in the two key areas of focus from 2011: reporting instances of dishonest or unethical practices, and poor performance being dealt with effectively.
- Comments from respondents highlight an increased focus on performance and clearer, stronger senior leadership. Comments also suggested that areas requiring further attention include workload, systems and equipment, and a desire to have greater accessibility to senior leaders.

Diversity

The diversity statistics for our industry are not what we would like them to be. Land Securities may be better than most, but we would like to see it as our role to lead the way in shaping the future for good.

The Company is making good progress on gender diversity. Three of our seven Non-executive Directors are women, including a female chairman; and two of our six Executive Committee members are women. See the charts on page 46 for more detail.

We have a great deal more work to do on ethnic diversity, as does our industry. We are convinced that having people from a range of backgrounds and with different perspectives makes us stronger and we are working to encourage greater diversity within the business, at all levels.

Human rights

Our business activities take place in the UK and matters affecting our employees are carried out under the jurisdiction of UK and EU law. Some companies in our supply chain have operations outside Europe, so we have acted to ensure that they follow the same high standards of human rights for employees as are operated in the UK. Our new human rights policy sets out the expectations and requirements we have of our suppliers. We have committed to work towards ensuring that organisations sourcing materials such as timber, stone and steel for our significant construction projects from outside the EU adhere to our principles. You can read more about our policy at www.landsecurities.com/responsibility.

Health and safety

We aim to remain below industry benchmarks for reportable incidents for health and safety on development sites and within our managed property portfolio, and we aspire to have zero incidents. As part of our commitment to everyone working for and with Land Securities, we aim to improve the health and safety of employees and contractors within our development and property portfolios, not least so we can reduce potential long-term occupational illness and resultant insurance claims.

Extending employment opportunities to the community

The construction industry faces the challenge of an ageing population – 50% of construction workers are now over the age of 50. This is concerning because a lack of skilled workers could restrict future development and affect construction costs. At the same time, it is also clear that employment can play an important role in helping disadvantaged people to get on in life and forge a better connection with others.

In 2011, Land Securities responded to the dual challenges of a shortage of skilled construction workers and social exclusion by launching its Employment Strategy. The Strategy is aimed at helping school leavers and some of London's most disadvantaged people – particularly those who are ex-offenders, homeless or long-term unemployed – to secure jobs in construction. We used our influence to bring together a wide range of industry peers, construction partners, public bodies and charities to address these problems.

Together, the partners have provided pre-employment training tailored specifically to construction, and successful candidates have been employed through our supply chain. Our programme is successful and established and we have recently widened its remit to include our operational service partners, given opportunity to disadvantaged people and brought new talent into our wider property management team.

In 2013, 58 people came through these schemes into employment. In 2014 this grew – 86 more people were employed. We have set ourselves an ambitious target for 2015 – to deliver 125 jobs through the combined programmes.

Our responsibility does not stop with these programmes; we also provide local charities with employment grants and support local Business Improvement Districts' (BID) Employment Charters.

The table below details the number of jobs which have been secured in the past two years. In addition, many hundreds have been given guidance on employment, received training and gained qualifications through our employment related activities.

London employment strategy: jobs secured — Table 16

		2013	2014	2015
Construction and service partner academies	Construction sector academy (via construction partners)	28	44	
	Service sector academy (via training and facilities management partners)	7	5	
	Construction Youth Trust	23	29	
	Additional contractor programme at Nova, Victoria, SW1	0	8	
	Sub total	**58**	**86**	**125 target**
Other employment initiatives	Employment grants programme (via grass roots charities and homelessness partners)	0	50	
	BID Employment Charters	43	84	
	Sub total	**43**	**134**	
	Total employment impact	**101**	**220**	

Career development

Sarah Roberts shares her story:

"I have been with the company for four years and worked in a variety of roles because, as I've looked for progression, Land Securities has been able to offer new challenges. I started as a PA/property administrator in the Retail Portfolio's asset management team. At the same time, a Land Securities loan enabled me to study on a part-time basis for an MSc in Real Estate. I then took on the retail liaison manager role at the Galleria, Hatfield, a job that was all about excellent customer service. And I then progressed to an assistant operations manager role in the London Portfolio, with sole responsibility for managing a building. In January 2014 I was appointed operations manager. Working in various roles and across departments has given me a strong understanding of how the business links together and how I can best support my colleagues in other teams."

Providing expert help

As part of our professional volunteering scheme, Ian Elson, a senior project manager in our London Portfolio, has devoted 120 hours of work and personal time over the last year to helping The Passage, one of our homelessness partner charities in Victoria, SW1. The Passage runs London's largest voluntary sector day centre for homeless and vulnerable people. Each day it helps up to 200 men and women, providing accommodation through a 40-bed hostel and 16 self-contained flats. Ian has supported the charity with expert property advice and guidance as it carries out an extensive renovation and refurbishment project. He has also helped interview and select a full-time project manager who will run the project day to day.

For a full analysis of our health and safety performance this year, please see **page 55**

A WIDER RESPONSIBILITY

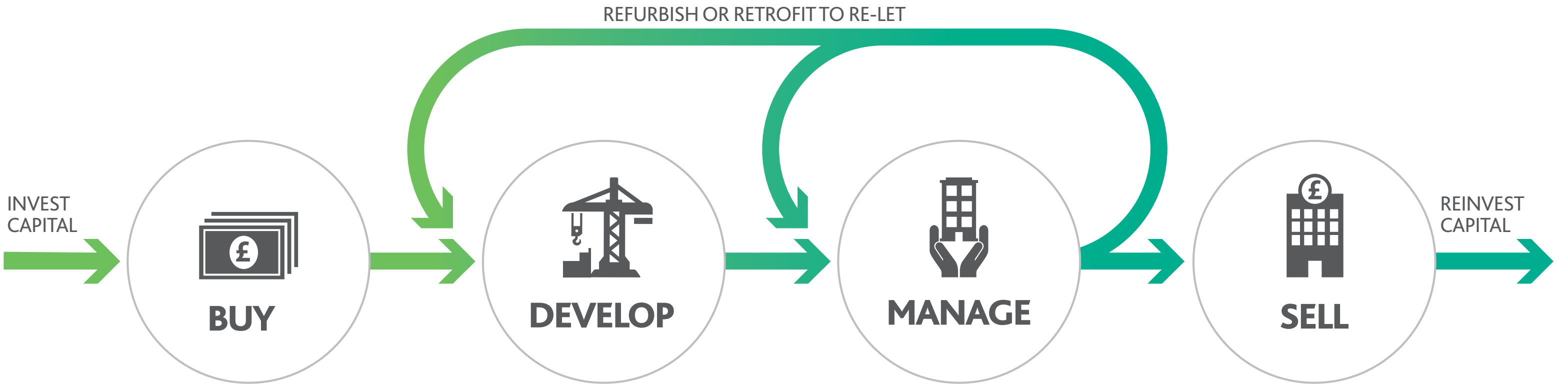
We aim to manage our assets in a way that benefits those closest to the Company – our investors, customers and employees, and those working in our supply chain – but also everyone affected by our actions.

We manage most of the buildings we own which means we get to see how people interact with them and hear their views. So we gain a strong sense of what people want from a particular building. And, because we have control, we can take decisive action to improve things for the better.

We believe that responding to people's needs – and giving careful consideration to the environment, economy and community – helps us to create enduring value over the long term. Or put another way, if we look after our cities, our cities will look after us.

Adding value through the lifecycle Chart 17

The diagram below illustrates some of the ways in which we work to create value through the lifecycle of a typical asset.



Buy

Building
The investment manager is given environmental due diligence information on the state of the building. This includes details on physical risks that could decrease the value of the property and, more recently, legislative risk that may affect its performance and value.

People and economy
When we commit to buying a property, we bring long-term economic investment to that area.

Develop

Inside the building
We design for safety, health and wellbeing, considering things such as air quality and natural lighting. We design for efficiency and productivity behind the scenes, considering areas such as lifts, reception and loading bays and their effect on the occupiers' experience and energy use.

Outside the building
We design to improve the public realm around our buildings, with health and safety in mind. We consider the place within its context, designing for transport and communication connectivity. And we consider urban biodiversity and wider infrastructure.

People and economy
We work with the local authority to identify areas of social need where we can help. And we collaborate with community groups, educators and our supply chain partners to address key issues. Our activity helps young people to raise their aspirations and educational standards; we help to improve living standards through a package of support, from grants to work experience; and we support economic prosperity by helping to create job opportunities and enabling people to access those opportunities.

Manage

Inside the building
We work with occupiers to manage energy, water and waste as environmental and cost efficiency factors. This helps to protect the building from external risks such as price volatility, energy security and premature obsolescence. We also work with occupiers to make sure the building operates as it was designed to.

People and economy
In this stage of the lifecycle our activities are the same as the development phase, from working with local authorities and groups to helping to increase aspirations and prosperity.

Sell

Building
As a result of our investment and activity, we will sell a better performing building than we bought. This should make it more valuable, which is good news for our shareholders.

People and economy
We aim to build a positive legacy, leaving a place in a better state than when we arrived. By helping to make people's lives better, we strengthen our reputation and add value to our asset.

The Strategic Report was approved by the Board of Directors on 14 May 2014 and signed on its behalf by:

Robert Noel
Chief Executive

GOVERNANCE

LEADERSHIP

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

For more information go to:
pages 42–44

GOOD GOVERNANCE

The steps we take to ensure the Company is well managed.

For more information go to:
pages 45–57

REMUNERATION

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

For more information go to:
pages 58–76

Governance
Including information on our leadership team, Board Committees and remuneration.

LETTER FROM THE CHAIRMAN

"At Land Securities, governance is not just the adherence to a set of rules. It is a way of doing business and is at the heart of everything we do."

Dear Shareholder

Earlier in this Annual Report, Robert Noel reported a strong set of results driven by high levels of development activity and relentless asset management.

We have a first rate management team in place at Land Securities and I want to thank them for the hard work, dedication and good judgement they have shown throughout the year to make these results possible.

Land Securities has a determination to meet the needs of its customers and to manage the business through the cyclical markets in which we operate. All our actions are underpinned by good governance, controls and lessons from the past.

This year, management and the Board were kept busy on a range of issues. New appointments were made at both Board and senior manager level. We evolved our corporate reporting in response to new requirements. Our business is evolving to adapt to structural changes in the retail property market and a maturing London property cycle. In this corporate governance report, we provide an insight into the work of the Board and its Committees over the last year and the governance framework operated by the Group.

Our governance

I am pleased to report that your Company has complied in full with the 2012 UK Corporate Governance Code.

At Land Securities, governance is not just the adherence to a set of rules. It is a way of doing business and is at the heart of everything we do. Once properly embedded, it becomes second nature. This year, we give a flavour of what it means to us in a 'Governance in Action' section which brings to life our approach.

If we do things in an open and transparent way, we will do them in the right way. This belief has driven a number of the initiatives undertaken by the Company to improve the quality of our corporate, financial and remuneration reporting in recent years.

Reporting

This year has seen the implementation of considerable change to the way in which companies are required to report. We have taken an active interest in the development of these new regulations since their initial proposal. We have provided input to the various consultations and broad support for the final regulations. The changes will make the task of understanding annual reports much easier. They should also enable investors to more accurately compare the performance of companies and also executive pay.

The Annual Report is an important part of our communication with shareholders. The Board and its Committees have been keen to oversee the implementation of many of the changes and have devoted more agenda time to the content and form of our Annual Report. Our early involvement in the development of the new regulations meant that we were able to adopt many of the new requirements in previous years, so much of our report will be broadly familiar to you.

This year we have enhanced the sections describing our strategy and our business model.

The Board has refreshed its processes for reviewing the accuracy, balance and clarity of the whole Annual

Report. Much of the work was carried out by the Audit Committee, which held two additional meetings to establish the process and review the content. We describe the process on page 53.

We have developed our remuneration report in recent years in order to adopt early the majority of the new requirements that have become mandatory this year. The changes have been well received by shareholders and investor bodies.

Our corporate responsibility reporting is now fully integrated within our Strategic Report. This reflects the central role corporate responsibility plays in connecting the business to its stakeholders.

I would like to thank the chairmen and members of the Audit and Remuneration Committees for the additional time they have devoted to our reporting this year.

Diversity

Diversity is very important to me and critical to the future of corporate Britain. In my view, it makes business more effective and society more equitable.

This year has seen good progress amongst FTSE 100 companies in their drive to improve gender diversity. Many more companies, including Land Securities, have now met Lord Davies' target of having 25% of their boards comprise of women. Another FTSE 100 company, Shire plc, will be chaired by a woman. Things are heading in the right direction, though there remains some way to go.

I am pleased to report that Land Securities' own long-term commitment to gender diversity is bearing fruit with significant increases in female membership of the Board and our three principal executive operating committees.

Retirements from the Board

The year has seen David Rough, Sir Stuart Rose and Richard Akers announce their retirements from the Board. David and Sir Stuart have served on our Board with distinction for 12 and 10 years respectively. They have helped guide the Company through one of the most challenging periods in its history and helped it prepare for the recovery.

After nearly 20 years with Land Securities, Richard Akers also stepped down from the Board on which he has served for eight years.

I would like to thank all of them for their significant contributions to Land Securities and wish them well for the future.

Real estate is a business based on decisions made for the long term. Plans put in place today may only reach fruition many years later. The Board recognises the value that Directors who are able to serve for many years are able to bring and I have encouraged Directors to serve for extended periods, including David and Sir Stuart. On occasion, this may mean that some serve for more than the nine year period where some investors begin to query their independence. Where a Non-executive Director serves for more than this time we will of course continue to carefully monitor and review their independence.

> “If we do things in an open and transparent way, we will do them in the right way.”

New Board and senior management appointments

The retirements from the Board have given us the opportunity to bring in new faces with different skills and perspectives that will enable your Board to face the challenges of a changing business environment ahead.

During the Non-executive recruitment process we were presented with two outstanding candidates who were very keen to join our Board. Our original plan was to recruit just one more Non-executive. The Nominations Committee saw this as a particularly good problem to have, in an exceptionally difficult market for talent and decided to appoint them both.

The appointment of Cressida Hogg CBE means that we have met our target to have women comprise at least 25% of our Board a year ahead of schedule. She and Edward Bonham Carter will make exceptional additions to our Board. We describe the process undertaken for their appointments in the report of the Nominations Committee.

There have been significant new appointments below the Board too.

Colette O'Shea and Scott Parsons have been appointed as the new managing directors for our London and Retail portfolios, respectively. They join an expanded Group Executive Committee, which has been given new terms of reference and a wider remit for the oversight of the Company and its operations.

These appointments were made following a search process involving internal and external candidates. I was delighted that not only were these posts filled by internal candidates, the people filling their previous roles were also appointed internally.

Our success with these promotions comes from our long standing commitment to developing people within Land Securities. We are keen to keep the pipeline full and are introducing a number of new initiatives. Many of these are focused around developing leadership skills at all levels, promoted through courses, mentoring and coaching. You can read more about these initiatives in our People section on page 36. Our aim is for Land Securities to be a demanding but enjoyable and rewarding place to work.

Remuneration

We monitor shareholder guidance and developments in the area closely and constantly review how we might improve our arrangements.

The Remuneration Committee responded to shareholder requests by simplifying our remuneration packages and aligning them more closely with our Key Performance Indicators. The changes formed a new framework approved by shareholders in 2012.

The framework is heavily geared towards incentives which reward outperformance by the Company of its peers in terms of total shareholder return and the financial performance of its portfolio. Rewards target relative not absolute returns. Absolute returns could simply be generated by general upward movements in the value of commercial property. Relative returns target outperformance against returns generated by other professional investors.

This was illustrated this year where our valuation surplus was much higher than that of last year, although our incentives paid out less. This was because the relative performance of the Company's property portfolio against its industry benchmark was not as strong as in the preceding year. You will find a detailed breakdown of our remuneration arrangements and the outcomes for this year in the Remuneration report.

Investor interaction

I enjoy meeting investors and hearing their views on our Company.

This year, the Board commissioned a study by leading equity analysts, Makinson Cowell, on investor views of our Company. Their findings were presented to the Board and discussed extensively. We include their findings in our report on Board effectiveness.

I will be embarking on a series of individual meetings with our larger investors during the course of this year in order to obtain their views on the strategy and governance of our Company and our remuneration policy.

Our investor section on page 57 gives a flavour of our extensive engagement with our institutional and private shareholders and debt investors.

Risk

As we move through the property cycle, the Board is conscious of the changing profile of internal and external risks across the business. Both the Board and the Audit Committee are alive to the effect of the market cycle and have devoted more time to considering risks over the last 12 months.

We have increased our focus on monitoring developments and market activity, watching for signs of change and added the topic to the agenda for three meetings per year.

The Board also monitors changing consumer trends which will continue to have a significant impact on our Retail business.

Our focus on these topics has helped shape our strategy and our medium-term planning. The discussions formed the basis of the Group's budget and forecast for the next five years.

Amongst the emerging risks considered by the business are cyber security and energy security. The Audit Committee has considered the Group's response to both threats.

Over the following pages we describe our corporate governance framework in more detail and include case studies which illustrate our governance in action. You will find specific details of our corporate responsibility activity in our corporate responsibility report found on our website www.landsecurities.com/responsibility. I hope you will find both reports helpful in understanding our commitment to our stakeholders and to excellence in governance.

Dame Alison Carnwath
Chairman

BOARD OF DIRECTORS

Executive Directors

Robert Noel
Chief Executive

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

Age: 50

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. Previously he has been 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 nearly 30 years' experience in a number of sectors within the property market. He has extensive knowledge of the London commercial property market in particular. He has significant executive leadership experience across property sectors and has substantial listed company experience at Board level.

Committees
Robert chairs the Group's Executive, Asset and Liability and Investment Committees 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
Chief Financial Officer

Martin joined the Group as Chief Financial Officer in September 2005.

Age: 49

Career
A chartered accountant, having trained with Coopers & Lybrand, Martin was previously Group Finance Director of Alvis plc. He 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 wide-ranging financial experience from the property, engineering and financial sectors in the UK and overseas. He has significant listed company experience at Board level. He has oversight of the finance, tax, treasury, insurance, information technology and accounting teams at Land Securities and brings extensive financial expertise to the Group including in relation to corporate financing and investment arrangements.

Committees
Martin is a member of the Group's Executive, Investment, Asset and Liability and Finance Committees. He attends the meetings of the Audit Committee at the invitation of the chairman of that Committee.

Non-executive Directors

Dame Alison Carnwath
Chairman of the Board

Dame Alison was appointed to the Board as a Non-executive Director in September 2004 and became Chairman in November 2008.

Age: 61

Career
Dame Alison worked in investment banking and corporate finance for 20 years, before pursuing a portfolio career. During her banking career, she became the first female Director of J. Henry Schroder Wagg & Co. Dame Alison was also a Senior Partner at Phoenix Securities and a Managing Director 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. Dame Alison is currently chairman of Isis Equity Partners, a UK private equity business, a non-executive director at Zurich Insurance Group Ltd, Paccar Inc, a Fortune 500 company and a senior advisor at Evercore Partners. She has recently joined the supervisory board of the Frankfurt listed German chemicals company, BASF and is a trustee of The British Library Trust. Dame Alison undertakes a variety of mentoring activities in the UK and overseas. She was appointed a Dame in the 2014 New Year Honours for her services to business.

Skills, competencies and experience
Dame Alison has over 30 years' international finance, investment banking and board experience. Having held board positions at leading international companies in both executive and non-executive capacities across industries and sectors in the UK and overseas, she brings substantial financial, strategic and leadership experience.

Committees
Dame Alison is Chairman of the Nominations Committee and a member of the Remuneration Committee.

Kevin O'Byrne
Senior Independent Director

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

Age: 49

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 to a key international role as CEO of the B&Q and Koçtaş businesses in China, Turkey, Germany and the UK in 2012. He assumed direct leadership of B&Q UK & Ireland in October 2013, and is Deputy Chairman of Kingfisher's joint venture in Turkey, Koçtaş. His previous roles include 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 UK and international retail and of managing a multi-jurisdictional business. He has significant recent and relevant financial experience gained from a number of CFO positions.

Committees
Kevin chairs the Audit Committee and is a member of the Nominations Committee.

Chris Bartram
Non-executive Director

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

Age: 65

Career
Chris is a chartered surveyor and Chairman of Orchard Street Investment Management LLP, a specialist UK commercial property investment manager. He is also a non-executive director of The Crown Estate and a Wilkins Fellow of Downing College, University of 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, working through a number of property market cycles. He has substantial knowledge of property finance and investment in particular and of the wider property market.

Committees
Chris is a member of the Nominations and Remuneration Committees.

Stacey Rauch
Non-executive Director

Stacey joined the Board as a Non-executive Director in January 2012.

Age: 56

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 has pursued a portfolio career. Stacey is currently a non-executive director of Ann Inc, (an American listed women's speciality apparel retailer) and 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 and insights. She also brings knowledge of the leisure and grocery sectors to the Board.

Committees
Stacey is a member of the Audit Committee.

Simon Palley
Non-executive Director

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

Age: 56

Career
A senior figure within the private equity industry, 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 then became Chairman of the private equity firm Centerbridge Partners Europe, a post that he held until 2013. He is an MBA graduate of The Wharton School, Pennsylvania.

Skills, competencies and experience
Simon brings considerable experience in the management of a wide range of businesses. He has particular expertise in international finance and investment, investor issues and the governance of companies.

Committees
Simon is Chairman of the Remuneration Committee and a member of the Nominations Committee.

Cressida Hogg CBE
Non-executive Director

Cressida joined the Board as a Non-executive Director on 1 January 2014.

Age: 44

Career
Until recently, Cressida was with 3i Group plc having joined them in 1995 from JPMorgan. She co-founded 3i's infrastructure business in 2005 becoming managing partner in 2009. Whilst managing partner, 3i's infrastructure team acted as Investment Adviser to 3i Infrastructure plc, a FTSE 250 investment company. Cressida advised on all of 3i Infrastructure's transactions since its flotation in 2007. She has recently been appointed to lead the infrastructure investment programme of a major Canadian pension fund. Cressida was a member of the advisory board for Infrastructure UK, the UK government's unit of HM Treasury that works on the UK's long-term infrastructure priorities and was made a CBE in 2014 New Year Honours.

Skills, competencies and experience
Cressida brings extensive finance and private equity knowledge together with senior executive and management experience. She has particular awareness of significant UK and overseas infrastructure projects, asset acquisitions and investment oversight.

Committees
Cressida is a member of the Audit Committee.

Edward Bonham Carter
Non-executive Director

Edward joined the Board as a Non-executive Director on 1 January 2014.

Age: 53

Career
Edward was appointed Group Chief Executive of Jupiter Fund Management plc in June 2007 and became Vice Chairman in March 2014.

Edward joined Jupiter in 1994 as a UK fund manager after working at Schroders between 1982 and 1986 and Electra Investment Trust between 1986 and 1994. He held the role of Chief Investment Officer from 1999 to 2010. He led the company through a management buy-out from previous owners Commerzbank in 2007, and oversaw the firm's listing on the London Stock Exchange in 2010.

Skills, competencies and experience
Edward has substantial executive management and listed company experience. He has held senior leadership positions at Jupiter, having been both Chief Investment Officer and Chief Executive respectively. He has particular expertise in active fund management and many years of experience in investment markets.

Committees
Edward is a member of the Remuneration Committee.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

EXECUTIVE COMMITTEE

Robert Noel
Chief Executive

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

For full biography see page 42.

Martin Greenslade
Chief Financial Officer

Martin joined the Group as Chief Financial Officer in September 2005.

For full biography see page 42.

Colette O'Shea
Managing Director, London Portfolio

Colette joined Land Securities in 2003 and rose to the position of Head of Development, London Portfolio before being appointed Managing Director in April 2014.

Age: 46

Career
Colette has over 20 years' property experience in London with 11 years' experience in senior executive positions at Land Securities.

Responsibilities
In her new role, Colette has responsibility for Land Securities' £6.4 billion London Portfolio. The portfolio comprises 8 million sq ft of London offices, leisure, retail and residential property both in development and asset management. She has most recently led the Land Securities development team through the Group's major London developments including those at One New Change, 62 Buckingham Gate, 20 Fenchurch Street and at Nova, Victoria.

Colette is President Elect of the British Council for Offices and a non-executive director of Genesis Housing Association.

Committees
Colette is a member of the Group's Asset and Liability and Investment Committees.

Scott Parsons
Managing Director, Retail Portfolio

Scott re-joined Land Securities in 2010 and was Head of Property, London Portfolio before being appointed as Managing Director in April 2014.

Age: 44

Career
Previous roles include three years as Managing Partner for Brookfield Asset Management, where he led their European business, more than ten years at GE Capital Real Estate, latterly as Head of Business Development, and three years as Business Development Director at Land Securities.

Responsibilities
As Managing Director, his role encompasses responsibility for Land Securities' £5.5 billion portfolio of shopping centres, retail parks and leisure properties throughout the UK. The portfolio comprises approximately 18 million sq ft of accommodation. Prior to his current role, Scott was Head of Property for Land Securities' London Portfolio, leading the investment, asset and property management teams for the Group's office and retail space in Central London. Scott sits on the Strategic Board of the New West End Company and was previously Vice President of the City Property Association.

Committees
Scott is a member of the Group's Asset and Liability and Investment Committees.

Diana Breeze
Group Human Resources Director

Diana joined Land Securities in June 2013 as Group Human Resources Director.

Age: 46

Career
Diana has over 20 years' HR and organisational consulting experience, and she has previously held a number of senior HR roles at J Sainsbury plc, where she led many people-focused change initiatives. Prior to this, she was a senior manager in the Human Capital practice at Accenture.

Responsibilities
In her current role she has end-to-end responsibility for the articulation and delivery of a clear people strategy for Land Securities, including talent, reward, organisational design and engagement. Since joining Land Securities, Diana has worked closely with the Chief Executive to determine the most appropriate organisational structure for Land Securities, and appoint and embed the new Executive team. She has also been responsible for introducing a new approach to talent and leadership development.

Diana is also a member of the International Advisory Board for Executive Education at the Saïd Business School, University of Oxford.

Committees
Diana attends Investment Committee meetings and also attends meetings of the Remuneration and Nominations Committees in her capacity as Group HR Director.

Adrian de Souza
Group General Counsel and Company Secretary

Adrian joined Land Securities in 2010 as the Company's first Group General Counsel and Company Secretary.

Age: 43

Career
Adrian is a solicitor and has 20 years of legal, compliance and commercial experience across a number of different sectors.

He joined Land Securities from the leading international brewer, SABMiller plc. During his seven years with that company, Adrian held a number of Senior Counsel roles before becoming head of legal for SABMiller's European business. Prior to that, Adrian worked in private practice at Clifford Chance LLP, where he specialised in corporate finance and mergers and acquisitions.

Responsibilities
Adrian leads the legal and company secretarial teams at Land Securities and is responsible for legal, compliance and governance activity across the Group. He provides advice and support to the Board and its Committees and holds the Group's relationships with its external law firms and investor and shareholder bodies.

Adrian is a member of the executive committee of the GC100, the Association of General Counsel and Company Secretaries of FTSE 100 companies.

Committees
Adrian attends all Board and Audit, Nominations and Remuneration Committee meetings in his capacity as Company Secretary. He also attends meetings of the Group's Asset and Liability, Investment and Finance Committees.

LEADERSHIP

The role of the Board and its Committees

Chart 18

Board Committees

The Board Committees report to the Board. Their responsibilities are:

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

Audit Committee
Assists the Board in financial and risk oversight.
More detail page 51

Remuneration Committee
Responsible for determining the remuneration for Executive Directors and senior managers and overseeing the Group's remuneration policy for all employees.
More detail page 58

Nominations Committee
Considers the structure, size, composition and succession needs for the Board and its Committees. It also has oversight of the succession planning for senior managers.
More detail page 48

Executive Committees

The Executive Committees report to the Chief Executive. Their responsibilities are:

Group Executive Committee
Responsible for Group operational matters including strategy, financial planning, succession planning, organisational development and Group wide policies.

London/Retail Executive Committees
Comprise senior executives across the respective London/Retail business units. Each Committee is responsible for operational performance and governance within its business unit. It also approves transactions up to a value of £10m.

Corporate Responsibility Committee
Responsible for defining the Corporate Responsibility strategy, and linking it to business objectives. It monitors performance against agreed targets. For more information see the Corporate Responsibility report available on our website.

Asset and Liability Committee
Considers the impact of proposed sales, purchases, developments and debt funding arrangements upon the Group's balance sheet and internal control metrics, over the short and medium term. Also considers the likely impact of macro economic changes on the business.

Investment Committee
Responsible for approving significant transactions including acquisitions, disposals, developments and other transactions where they have a value of between £20m to £150m or are otherwise unusual.

Finance Committee
Considers the Group's funding requirements and approves all significant new debt arrangements unless reserved to the Board.

Exchange Forum
A business-wide representation group that recommends ideas and solutions for initiatives affecting employees.

Health and Safety Committees
Three separate but linked Committees operate for London, Retail and Group responsible for overseeing the health and safety of operations and development.

Corporate Environment Group
Responsible for setting the environmental agenda and monitoring environmental targets.

A Disclosure Committee is responsible for overseeing compliance with the Disclosure and Transparency Rules. New terms of reference were approved on 25 September 2013 and can be found at www.landsecurities.com

Reserved matters and delegation
To retain control of key decisions, the Board has identified 'reserved matters' that only it can approve. The most commonly considered items falling within these 'reserved matters' are large transactions. This year, these included the speculative development of offices in New Ludgate, London EC4 and One New Street Square, London EC4; approving the introduction of an American Depositary Receipt programme; replacing the Scrip Dividend Scheme with the Dividend Reinvestment Plan; and appointing two new Non-executive Directors. For a detailed list of our reserved matters, please see our website **www.landsecurities.com**

The Board delegates matters to Board Committees. It also delegates day-to-day management to the Chief Executive, who in turn may delegate these within clearly defined written limits.

Board composition and roles

The Board comprises the Chairman, two Executive Directors and six independent Non-executive Directors. Their key responsibilities are summarised as:

Board composition and roles — Table 19

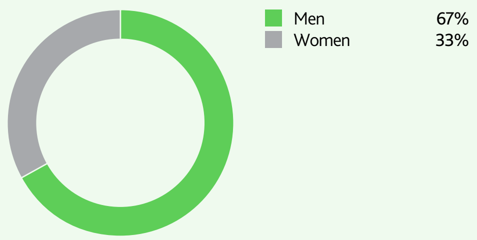
Chairman	Dame Alison Carnwath	Responsible for leading the Board, its effectiveness and governance. Setting the tone for the Company, ensuring effective links between the shareholders, the Board and management are strong
Chief Executive	Robert Noel	Responsible for the day-to-day management of the Group's operations, for recommending the Group's strategy to the Board and for implementing the strategy agreed by the Board
Chief Financial Officer	Martin Greenslade	Supports the Chief Executive in devising and implementing strategy and in relation to the financial and operational performance of the business
Independent Non-executive Directors	Kevin O'Byrne, Chris Bartram, Simon Palley, Stacey Rauch, Cressida Hogg, Edward Bonham Carter	Constructively challenge the Executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board
Senior Independent Director	Kevin O'Byrne	Discusses any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chairman or Chief Executive

Board and Committee meetings and attendance — Table 20

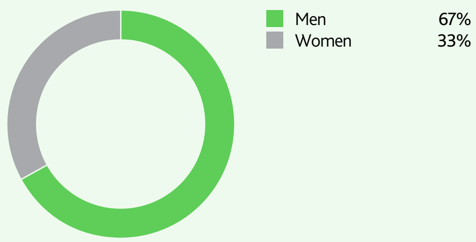
Director	Board meetings	Audit Committee meetings	Nominations Committee meetings	Remuneration Committee meetings
Dame Alison Carnwath	7/7		3/3	4/4
Robert Noel	7/7			
Martin Greenslade	7/7			
Richard Akers	7/7			
David Rough	7/7	5/5		1/1[1]
Sir Stuart Rose	4/5[2]			
Kevin O'Byrne	7/7	5/5	3/3	
Chris Bartram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

1. David Rough stepped down from the Remuneration Committee on 31 May 2013.
2. Sir Stuart Rose stepped down from the Board on 31 December 2013 and was unable to attend the Board meeting on 7 November 2013.
3. Simon Palley was appointed to the Nominations Committee on 27 March 2014.
4. Cressida Hogg and Edward Bonham Carter were appointed to the Board on 1 January 2014.
5. Cressida Hogg was appointed to the Audit Committee on 26 March 2014.
6. Edward Bonham Carter was appointed to the Remuneration Committee on 10 March 2014.

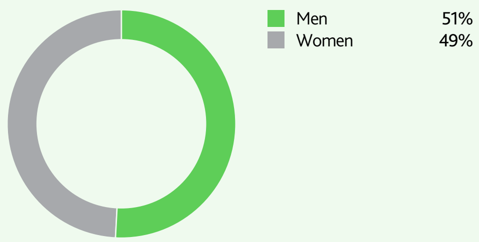
Board gender split — Chart 21



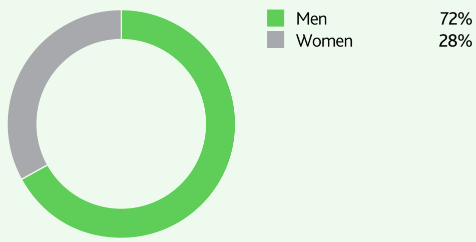
Executive Committee gender split — Chart 22



Land Securities all employees gender split — Chart 23



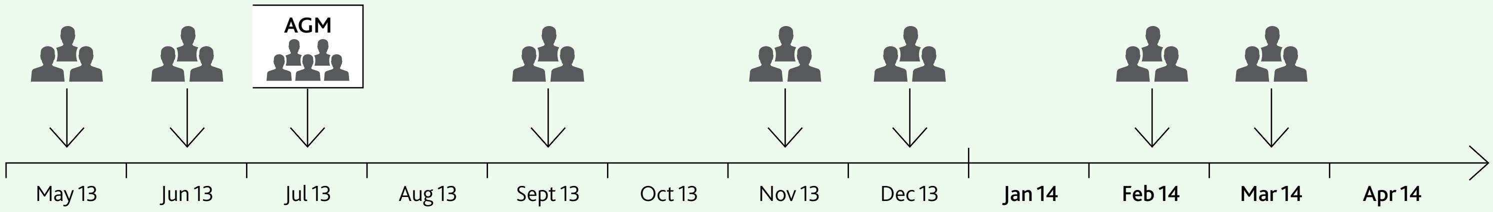
Senior management gender split[1] — Chart 24



1. Includes senior managers and directors of subsidiaries.

Board activity Chart 25

Board meetings during the year



Board meetings

Seven principal Board meetings were held during the year, including a two day off-site strategy meeting. At these meetings the key areas of focus were:

Matters considered at all Board meetings

- The Chief Executive's report on strategic and business developments
- The Chief Financial Officer's report on the financial performance of the business and forecasts.

Considered throughout the year

Half yearly and annual results:
- Draft results and presentations to analysts
- The Annual Report
- The six monthly valuation of the Group's portfolio by Knight Frank LLP and Jones Lang LaSalle.

Leadership and employees:
- Appointment of two new Non-executive Directors
- Executive Director remuneration
- Employee engagement survey
- People development and succession planning
- Thought leadership
- Local and national government
- Corporate responsibility.

Property/Strategy/Funding:
- The property cycle
- The Group's performance against its competitors
- Portfolio liquidity analysis and development exposure
- Acquisition/disposal of properties in excess of £150m e.g. sale of Bankside 2 & 3, SE1
- Approval of significant developments e.g. 1 New Street Square, London, EC4, 1 & 2 New Ludgate, London, EC4
- The Group's debt funding arrangements
- The Group's budget, forecasts and key performance targets.

Risk Management
- The Group's risk register
- Internal controls
- Emerging key risks.

Stakeholders
- Environmental review
- Regular health and safety updates.

Corporate Governance
- Developments in Corporate Governance
- Board evaluation and effectiveness
- Chairman's evaluation (led by the Senior Independent Director)
- Board diversity policy review
- New human rights policy
- Legal and regulatory updates.

Shareholders
- Annual independent investor audit undertaken by Makinson Cowell
- Regular feedback from institutional shareholders.

LETTER FROM THE CHAIRMAN OF THE NOMINATIONS COMMITTEE

Dear Shareholder

This has been a busy year for the Committee with our key area of focus being succession planning for the Board and senior management.

Some time ago, Sir Stuart Rose, David Rough and Richard Akers indicated their intention to retire. Each of them was flexible in terms of their timing for leaving the Board which has been enormously helpful to us. It meant that we were able to ensure continuity amongst the Non-executives whilst the new appointees settled in.

Richard's retirement presented us with the opportunity to undertake a careful re-organisation of the management team within the Retail business. We have also made a series of promotions below Board level, which has allowed us to bring through some exceptional talent.

With these changes come risks. We are losing people with considerable experience of our business and who have been with the Company through two property cycles. Nevertheless, the Board retains a very experienced executive team and a number of Non-executives who also have experience of guiding companies through property cycles. The retirement of Richard Akers means a reduction in the number of Executive Directors over the last two years from four to two.

The Committee and the wider Board are mindful of the risks that accompany these changes and have initiated steps to address them. There has been a good degree of overlap between the arrival of new Directors and the departure of retiring Directors. The retiring Directors have been generous with their time and in sharing their perspectives with our new Board members.

We have expanded the membership of the Group's Executive Committee, giving it greater responsibility for the running of the business and oversight of its operations. Additional opportunities have been arranged for senior managers to attend Board meetings for relevant agenda items and for Directors to meet them at other events. This will ensure that your Board remains connected with the business and will continue to receive operational insights from a variety of people.

The year began with our search for an additional Non-executive Director. The mandate to our executive search firm, the Zygos Partnership, incorporated a request to include candidates from diverse backgrounds who might not otherwise be considered for this role. We were keen to see people who would be able to challenge effectively whilst being a good fit and having the potential to serve on the Board for a long time.

We were very pleased with the long list of candidates provided by our search firm. The candidates included some exceptional people, drawn from a diverse range of backgrounds, ages, industries and disciplines. Many of these candidates we might not have considered in the past. The Committee spent a great deal of time with candidates and the people we saw were so good that we appointed two rather than one. We will continue to monitor the progress of others who do not yet have sufficient experience, with a view to considering them for vacancies as they arise in the future.

The result of all of this is the formation of a very talented team to lead the business.

You will find more information on the work of the Committee on the following pages, including our progress on Board effectiveness.

Dame Alison Carnwath
Chairman

Committee members

- Dame Alison Carnwath (Chairman)
- Kevin O'Byrne (Independent Non-executive Director)
- Chris Bartram (Independent Non-executive Director)
- Simon Palley (Independent Non-executive Director joined the Committee on 27 March 2014)

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 three times during the year, with items considered including:

- the appointment of new Non-executive Directors
- expanding the role of and membership of the Group's Executive Committee
- a new organisational structure for the London and Retail businesses
- the leadership needs and succession planning of the Group including identifying and developing talent
- the Board's structure, size, composition, skills and diversity
- the composition of Board Committees
- potential conflicts of interest amongst Directors.

Board environment and access to appropriate information

This topic is explored at every Board evaluation and has resulted in a number of improvements in recent years. These are set out in more detail below.

- A positive, transparent culture exists on the Board with each Board member contributing. The environment encourages Directors to raise challenging questions, debate issues freely and respond to one other.
- The papers prepared for the Board were focused on the priorities of the business and were clear and well articulated. Agendas are well thought through and included a number of free slots during the year for discussion of topics proposed by Non-executive Directors.
- Attendance at meetings from senior managers below Board level is encouraged. In addition we held two Non-executive Director sessions without the Executive Directors present and Board dinners with a variety of attendees including senior managers. Support and advice was provided by the Group General Counsel and Company Secretary and members of his team.

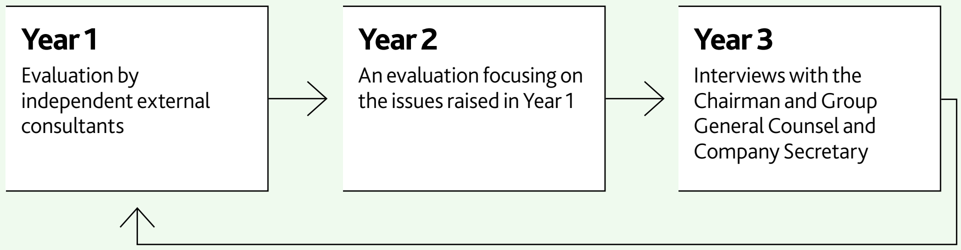
Professional development, support, training and induction for Directors

The Board has two specific knowledge development sessions planned in each year and Directors also attend other key business events.

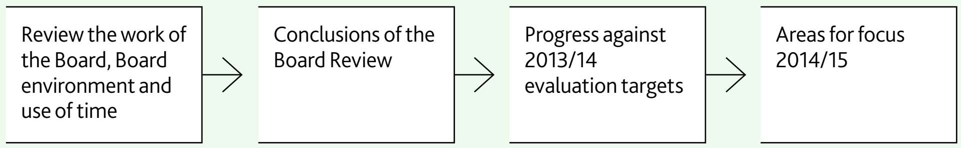
This year the Board received presentations on the likely technological advances in construction over the coming years, which was delivered by key industry figures and a session on Board behaviour, conducted by a leading executive search consultant.

Board knowledge of the Company's property portfolio was enhanced through site visits by Directors to a number of properties and developments. This year a number of Directors also attended property tours conducted by the Group's Health and Safety teams, who took them through the Group's safety procedures in an operational environment.

Board evaluation cycle Chart 26



Evaluation of the performance of the Board Chart 27



This year was the second in the Group's three-year review cycle. The aim was to assess progress on the items raised during the externally facilitated evaluation undertaken last year and to identify any issues arising since. The review was undertaken by a series of individual interviews with Directors, conducted by the Chairman and the General Counsel and Company Secretary.

The outcome of the evaluation was fed back to the Board at its meeting in February 2014 and a series of action items agreed. A summary of these appears below.

The Chairman also met each Director individually and gave them feedback on their own performance and suggestions for improvement.

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.

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 concluded that it remained effective and was operating to a high level, with good progress made against the areas for improvement identified in the previous evaluation. No serious issues were raised.

The Board particularly welcomed the improvements to Board papers, which it felt were of a very high standard. Many Directors welcomed the additional time spent at meetings this year discussing the property cycle, its timing and the likely impacts on the Group. Directors wish to focus more time on this critical topic going forward.

Progress against 2013 evaluation targets

Good progress had been made against the previous year's Board evaluation targets:

- the format of the Group's finance papers have been changed significantly to cater for different preferences amongst the Board. The changes have been very well received
- the format of Board reports has changed to reduce the level of operational focus and to make them more forward looking. This has facilitated more strategic discussion and increased participation from Non-executive Directors
- Non-executive Directors have increased the number of visits to properties during the year. These have included development site visits conducted by the Group's Health and Safety teams, who were able to demonstrate the Group's safety procedures and controls in operation. Some Non-executive Directors visited a proposed development in Glasgow in order to understand plans and the local environment in more detail and suggest enhancements. The Group will continue this initiative during the coming year.

Areas for focus for 2014/15

- Directors are conscious that the new Managing Directors of the London and Retail businesses are not Board members and are keen to ensure that contact with them and other senior managers was increased to ensure that Non-executive Directors remain connected with the business
- Non-executive Directors have been asked to share more of their insights and experiences gained from their membership of other Boards, with a view to helping improve the Group's own performance
- A number of requests for additional agenda items have been made, including more discussion on and analysis of competitor activity, and more on the impact of technology on the occupational requirements of the Group's customers and on possible new areas for investment within the Group's core sectors.

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 continued as a Non-executive Director of Barratt Developments PLC for the whole of the financial year.

Induction

Following their appointments, Cressida Hogg and Edward Bonham Carter received a comprehensive induction arranged by the Chairman and Group General Counsel and Company Secretary. Their induction included visits to properties and development sites across the London and Retail portfolios, and meetings with a number of senior managers in the organisation including Portfolio Directors and Centre Managers. Their familiarisation will continue in the coming year with more visits to the Group's properties and meetings with other advisers and senior managers.

Board strategy

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

- detailed consideration of the London and Retail property cycles, their likely timing and impacts on the Group, its assets, funding and budget
- the Group's debt strategy, the balance of fixed and floating rate debt and alternative sources of funding
- technology in the future, its impact on shopping habits and on the property markets in which Land Securities operates
- presentations from external experts on the macro-economic environment and property market outlook
- a discussion on people and succession planning across the business.

Independence

The Committee reviewed and confirmed the independence of each Non-executive Director seeking re-election at the forthcoming AGM.

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. In last year's Annual Report we provided a summary of a new Board diversity policy and are pleased to report progress against it.

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. Land Securities has met its target for 25% of the Board to be comprised of women, a year ahead of target. In support of our policy, we will only engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice. Search firms also need to demonstrate their independence from the Company and people instructing them.

You will see in this report that each of the Group's Executive Committees – the operating boards of our London and Retail businesses – now include more women both in absolute terms and as a proportion of membership.

We continue to focus on this area. Land Securities participates in the FTSE cross-mentoring programme for women in senior positions wishing to operate at board level. Through this we provide a mentoring service for women in FTSE companies and other companies reciprocate.

Re-election to the Board

The effectiveness and commitment of the Non-executive Directors has been reviewed and is then discussed with each of them. 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. With the exception of Richard Akers, who has stepped down from the Board, and David Rough, who retires just before the AGM, 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, Cressida Hogg and Edward Bonham Carter. The Committee addressed these potential conflicts as detailed in the table below.

Potential conflicts of interest Table 28

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.
Cressida Hogg	Has recently accepted a position to lead the infrastructure programme at a leading pension fund which is also the Group's joint venture partner at a major development.	In her role, Cressida Hogg will not have any involvement with that development. The Group will not share any sensitive information on that subject with her and she has agreed not to participate in any discussion that relates to a key decision regarding her employer.
Edward Bonham Carter	Vice Chairman of Jupiter Fund Management PLC, a fund manager which evaluates investments which may or may not include those of the Group.	Edward Bonham Carter's position is such that he is unlikely to be involved in the selection of particular investments and has agreed not to participate in any investment decisions which may involve the Group's securities.

LETTER FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

Committee members

- Kevin O'Byrne (Chairman and Senior Independent Director)
- David Rough (Independent Non-executive Director – left the Committee on 8 May 2014)
- Stacey Rauch (Independent Non-executive Director)
- Cressida Hogg CBE (Independent Non-executive Director – joined the Committee on 26 March 2014)

Dear Shareholder

In addition to its core audit and valuation responsibilities, the Committee has had a busy year addressing a number of new challenges.

In response to new regulations our corporate reporting has seen significant change, which was overseen by the Committee. We devoted time to ensure that the Group's new auditor, Ernst & Young LLP (EY), was able to get up to speed quickly and identify the key areas of risk that would help shape their audit plan.

The changing business environment caused some existing risks to increase and others to emerge. Macro risks, such as the maturing property cycle and structural changes to the retail market, were dealt with at meetings of the full Board in order to benefit from its broader range of skills and experience. More specific and emerging risks, which I have outlined below, were considered by the Committee.

Preparation for the 2014 reporting cycle began with a specially convened meeting in September to receive training on the new reporting regulations. At that meeting a framework was established for ensuring the Company's Annual Report was 'fair, balanced and understandable'. Training was then provided to senior managers and those responsible for producing the Annual Report. An additional meeting of the Committee took place in April to consider an advance draft of the Annual Report and to challenge management on its content. The Committee found the additional meeting useful and may repeat it next year. More details of the process are provided later in this report.

We also considered emerging risks facing the business, together with mitigating actions proposed by management. These included the integration of the new X-Leisure business, cyber security, security of energy supply, energy efficiency, fraud and flood risks. Management's mitigating actions were considered and challenged by the Committee to ensure that such mitigation remains appropriate for the risks identified by the business. Committee members were able to use their experience gained in other businesses to advise management and provide additional challenge. We will continue to monitor these key risks regularly with the assistance of the Group's internal audit team.

The independent valuers, Knight Frank LLP and Jones Lang LaSalle (in relation to the X-Leisure properties), play a key role in determining the results of the Group so their work remains a primary focus of the Committee. The Group's principal valuers, Knight Frank, attended two committee meetings and were questioned about their valuation of the Group's properties. The external auditor also met with the valuers as part of their audit of the Company's financial statements. The degree of oversight and challenge applied to the valuation process meant the Committee was confident that the valuations were conducted appropriately, independently and in accordance with the valuers' professional standards.

Last year, EY was appointed auditor following a competitive tender. They have settled in quickly having been in office for the review of the Half Year results. They have also invested significant time in learning about the Group and its business and the Committee has been pleased with their progress and insights. A full review of their performance will be undertaken later in the year.

Finally, the appointment of a new auditor presented a good opportunity for the Committee to carry out a review of its policy on non-audit services. In adopting our new policy, we were keen to incorporate additional safeguards to ensure their independence. Details of the review are set out in the body of this Committee report.

I hope this report provides you with a useful guide to the activities of the Committee during the year.

Kevin O'Byrne
Chairman, Audit Committee

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 Committee are set out in the Directors' section of the Annual Report. 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 agenda

The Committee met five times. Amongst the items considered were the following:

- new reporting regulations and proposals for implementing them
- the degree to which the Annual Report is fair, balanced and understandable
- 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 control and risk management
- the results of internal audit reviews, management action plans to resolve issues arising and the tracking of their resolution
- the Group's key risk registers
- Key Risks – including cyber security, energy security, X-Leisure integration, flooding
- the introduction of the new auditor and the scope of their audit
- the adoption of a new non audit services policy
- the external auditor, their effectiveness, objectivity and independence, and the terms of engagement and the scope of the audit
- internal audit plans
- the full and half year valuations and the external valuation process
- performance of the Company's auditor and the external valuer.

In conjunction with the Board evaluation outlined on page 49, the Committee evaluation concluded that it remained an effective Audit Committee.

External auditor and non-audit work

Effectiveness of the external auditor

The Committee places great importance on ensuring a high quality, effective external audit process. Following a successful tender in early 2013, EY were appointed as auditor for the financial year under review. The Committee was keen for the new auditor to settle quickly into their new role and provided a number of opportunities to meet key employees on formal and informal occasions prior to the commencement of their work to help familiarise themselves with the business. The Committee is pleased with the insights brought by the new audit team and the start they have made. An assessment of EY's effectiveness, its processes, audit quality and performance will be undertaken after completion of this year's audit. A similar review was carried out by the Committee in connection with the performance of the outgoing auditor, PricewaterhouseCoopers LLP, where feedback from Directors and senior managers was sought in the form of a questionnaire, the results of which were discussed by the Committee. No material issues were raised during that assessment and the Committee would like to put on record its appreciation for many years of excellent service.

The Committee reviewed EY's proposals for the audit and is confident that appropriate plans were put in place to carry out an effective and high quality audit. Particular attention was paid to the audit plan and its appropriateness for the Group. There have been no significant issues. EY confirmed to the Committee that they maintained appropriate internal safeguards to ensure their independence and objectivity. The Committee considered and approved EY's assessment of their independence. It has recommended their reappointment to the Board which will seek the approval of shareholders. EY raised no significant issues during the course of the audit.

Non-audit services

The Committee is responsible for monitoring and reviewing the objectivity and independence of the external auditor. To support this, the Committee has a non-audit services policy in place that sets out the circumstances in which the external auditor may be permitted to undertake non-audit services. This year the Committee reviewed its policy to ensure it was in line with best practice. It was keen to limit the type of non-audit work undertaken by the external auditor. A copy of the new policy can be found at www.landsecurities.com/about-us/corporate-governance/external-auditors-and-valuers. The existing threshold level of £25,000 per engagement of specific pre-approved services that the auditor is able to provide to Land Securities without referral to the Committee was confirmed and the Committee is satisfied that the limit provides an adequate safeguard. Any service above this level must be approved by the Chairman of the Audit Committee before the work commences. During the year no such approval was sought as the non-audit work provided by EY did not reach the threshold level. Details of the non-audit services provided by EY can be found on page 96.

Valuers

The valuations of the Group's portfolios by valuers Knight Frank and Jones Lang LaSalle help to determine a very significant part of the Group's reported performance and remuneration for senior management. It is therefore of great importance to ensure measures and processes are in place to support and monitor the valuers' independence and objectivity. Valuations prepared at the full and half year were reviewed and challenged by management as well as the Audit Committee. The valuers met separately with the external auditor and exchanged information independently of management. The external auditor has chartered surveyors within their team who consider the valuers' qualifications, assess and challenge the valuation approach and assumptions made by the valuers. This year 25 properties were chosen for particular attention, on the basis of their value, type and geography. The external auditor performed site visits for a sample of assets including those under development and completed analytical and substantive reviews over the input data for the valuations, comparing this to market data. Their findings were reviewed by the Audit Committee. In addition, members of the Audit Committee attended key valuation meetings to satisfy themselves with regard to the independence and rigour of the process. No issues were raised during the review.

A fixed fee arrangement is in place with our valuers Knight Frank and Jones Lang LaSalle. Given the importance of the work undertaken by them, we have disclosed the fees we pay in note 8 to the financial statements. The total fees paid by the Company to Knight Frank and Jones Lang LaSalle in the year represented less than 5% of their respective total fee incomes for the year.

Significant judgements, key assumptions and estimates

The Audit Committee pays particular attention to significant issues in relation to the financial statements and how they are addressed. The significant issues are important by virtue of their impact on the Group's results and remuneration of senior management. The main areas of focus during the year are set out in table 29 on the following page.

Internal controls and risk management

The Board is responsible for the Group's systems of internal control including financial control and has worked hard over a number of years to embed them into the culture of the business. This has been designed to manage, rather than eliminate, the risk of any failure to meet business objectives. The systems of internal control can only provide reasonable – not absolute – assurance against material misstatement or loss. The Board's approach to risk management is supported by an oversight structure that includes the Audit Committee.

The Board has an ongoing process to identify, evaluate and manage the significant risks faced by the Group, details of which can be found on page 32. This was in place throughout the year and up to the date of the approval of the Annual Report and financial statements. This process is regularly reviewed by the Board, and accords with the FRC's

Significant accounting judgements

Table 29

Matter considered	Action
Valuation of the property portfolio Although conducted externally by independent valuers, the valuation of the property portfolio is inherently subjective, requiring the making of significant judgements and assumptions by management and the valuers. 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 developments, which were discussed by the Committee in detail and accepted on a case-by-case basis. A number of our investment properties also saw significant upward and downward movements in value. The valuations were scrutinised separately by management, the Chairman of the Audit Committee, the Committee itself and the auditor. The auditor was assisted by its specialist team of chartered surveyors who are familiar with the valuation process. Knight Frank LLP were asked to attend a meeting of the full Board to present their valuations, highlight any significant judgements and any significant disagreements with management. The Committee is confident that the valuation was independently and properly undertaken. The objectivity of the valuers was also monitored by the Committee and more information on this can be found earlier in this section.
Revenue recognition on the disposal of Bankside 4, SE1 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. Last year, the Committee agreed to recognise £15.4m as an estimate of the profit expected to be received. This year, the Committee considered whether that figure remained appropriate.	The Committee considered the progress of sales within the development, the prices achieved, the likelihood of selling the remaining flats and the price they might achieve. The Committee supported management's judgement that the amount of profit recognised last year remained appropriate.
Judgements affecting the calculation of revenue profit For certain transactions, judgement is applied by management as to whether, and to what extent, they should form part of revenue profit. Whilst none of the individual items in this category were of a sufficient size to be significant for the Group's results, the Committee and the auditor considered the appropriateness of the accounting treatment applied by management.	The Committee considered the accounting treatment for each transaction to ensure it was consistent with similar transactions this year and last. It also considered the scope of the accounting standard and the degree of the judgement made. In its assessment, the Committee considered the underlying facts of each case, the recoverability of the sums, the options that management had in terms of accounting treatment and the appropriateness of the recommendations of management. These were discussed with the auditor, which had looked into each item with management. Both the Committee and the auditor concurred with the recommendations of management.

Further details on significant judgements, key assumptions and estimates can be found in note 2 to the financial statements on **page 89**

Risk and control – 'Three lines of defence'

Diagram 30

SENIOR MANAGEMENT

AUDIT COMMITTEE

1st line of defence
- Executive Committee
- Senior Leaders
- Internal controls and annual self assessments
- Internal policies and training

2nd line of defence
- Financial control
- Risk management
- Health and safety
- Environment
- Technology
- Legal

3rd line of defence
- Internal audit
- External audit

Further details on our risk and controls can be found on **pages 32–35**

Internal Control: Revised Guidance for Directors on the Combined Code. In addition, the Board reviews annually the effectiveness of the risk management and internal control systems. Details of our 'Three lines of defence' risk and control model can be found on pages 32–35. No significant failings or weaknesses were identified.

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 the Group's system of internal control to ensure controls were embedded and operating effectively within the business
- reviewing the internal audit plan and 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 Committee
- reviewing the effectiveness of the internal audit function
- reviewing the external audit plan and reports from the external auditor 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. Where areas for improvement were identified, processes are in place to ensure that the necessary action is taken and that progress is monitored.

Fair, balanced and understandable

The Audit Committee established additional procedures to ensure the Group's Annual Report was fair, balanced and understandable. In September 2013, the Audit Committee attended a training session on its obligations and agreed how it would comply with them. This included bringing forward the Annual Report process so that the Committee could assess whether the entire Annual Report was fair, balanced and understandable, taking into account the commentary and tone and whether it included the necessary information for shareholders to assess the Company's performance, business model and strategy. The Committee also verified and questioned management on information included and excluded from the report, and that the narrative in the front of the report was consistent with the financial statements.

Whistleblowing

The Audit Committee also oversees an independent 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 when required and confirmations given to the auditor.

GOVERNANCE IN ACTION

"At Land Securities, governance is not just the adherence to a set of rules. It is a way of doing business and is at the heart of everything we do. Here you will find examples of our governance in action, bringing to life how governance is embedded in our day to day work."
Dame Alison Carnwath, Chairman

Case study

CYCLEWATCH

Our aim is to deliver sustainable, long-term shareholder returns. The cyclicality of the markets in which we operate presents a significant threat to this objective and is one of our key risks. We explain how the market cycle operates on page 19.

The risk

The consequences of a failure to read the cycle and act can be devastating. In the last downturn, many property companies became insolvent. Many others sought additional capital from shareholders, including Land Securities. Conversely, the consequences of a failure to benefit from the upswing can be severe for shareholders too, as a company that is too cautious will miss out on some of the strongest returns which often occur just before the cycle peaks.

As we move through the cycle, the risk of the current favourable market conditions turning increases. In this case study, which focuses on the more cyclical London market, we explain how we address this risk and the role of our Committees and the Board in this.

Our data

We collect and analyse a lot of data.

We look at previous cycles and assess the triggers for them. These are often quite different but nevertheless might act as signposts for the future. We study the severity of the various corrections, the impact on different categories of property and the speed of the subsequent recovery.

We produce forecasts for supply of office space in each of the main areas within central London, for the short and medium term. These are broadly based on the potential for new buildings to be built and other refurbished or surplus space being brought to the market. We look at large lease expiries in the coming years, forecasts for additional space requirements and the affordability of rents. From this, we build a picture of likely demand, supply and rents.

We consider trends for rents, yields and investment values and use these to inform our view as to the sustainability of pricing and its direction.

Finally, we look at factors external to property itself, such as investment returns in the wider economy, the likely performance of the economy and geo-political events that may influence the markets.

The work of our Board and internal committees

The data we collect is prepared and considered by numerous people from different disciplines across the business and externally.

It is prepared by our research teams and considered by our London and Retail Executive Committees, who add their insights based on a detailed knowledge of their own property markets.

It is then considered by the Group's Asset and Liability Committee, which is comprised of people with specialist disciplines across the Group. Members use their own experience and forecasts provided by a number of institutions to challenge the figures. Once a consensus is reached, the Committee considers what it means for the Group in terms of its investment activity, gearing and balance sheet.

Of course, data is just a series of numbers, charts and graphs. It isn't a crystal ball. For it to be of any use, it needs to be accurately interpreted and for predictions to be made based on it that give the Company a competitive advantage.

The Board considers the data on three occasions during the year. The diversity of the disciplines, backgrounds, skills and perspectives among the Board complements those available within the business. As a result, the Board is able to provide a significant contribution in terms of challenge for management, new insights and direction. The perspectives and lessons from other industries and the past provide particularly useful context.

The outcomes

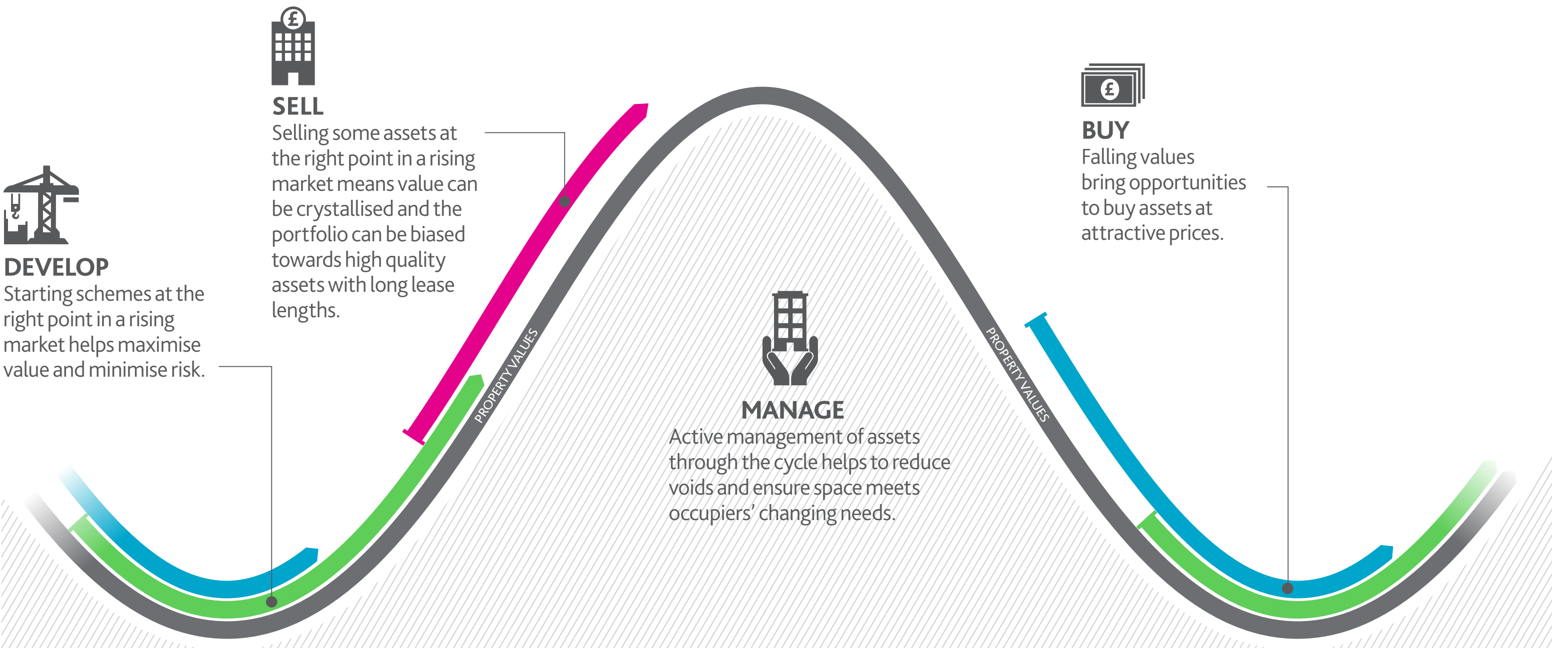
The outcome of the work enables us to produce a model for the next five years upon which our budget and forecasts are made. It helps inform decisions made by the Group's Investment Committee in terms of potential purchases, sales and developments.

It helps inform decisions to commit to new speculative developments, that is, developments that are not pre-let. It helps build a picture of the likely financial performance for each property and informs decisions whether to buy, sell or invest in existing properties. It informs our borrowing decisions and gearing for the business. It enables us to set targets to ensure that our properties are well let on long leases at the top of the cycle in order to minimise the impact of any downturn and produce returns that outperform our competitors.

Interpretation of the cycle is essential for generating the best returns for investors.

Market cycle Diagram 31

How we aim to match our activity to the movements of the market.



Case study

HEALTH AND SAFETY

Health and safety is one of our key risks. We are committed to providing a healthy, safe environment for every visitor to our properties. Our aim is that no one suffers an avoidable injury. This is not driven by the short-term financial consequences. It is driven by a desire to build and maintain a first class reputation and trust amongst all of our stakeholders for the long term. In this case study we describe some of the health and safety initiatives undertaken during the year. We also give a flavour for how health and safety is embedded within our governance.

Our committees and team

Each of our London and Retail businesses has their own health and safety committee. There is also a Group-wide Health and Safety Committee which is chaired by our Chief Executive. This reports to the Group's Executive Committee and has a high profile within our business. In this way, we ensure health and safety is constantly on the agenda for discussion amongst the most senior people within our organisation.

The committees are supported by an in house team of experienced health and safety professionals. Every property has a member of this team allocated to and accountable for it.

Our objectives for the year

Our health and safety record is very good. We are committed to improving awareness and accountability and ensuring we remain at the forefront of best practice. The objectives set by our Group Health and Safety Committee were to:

- provide a vision for behavioural change amongst our employees and supply chain
- encourage visible leadership in health and safety in the industry
- work towards an incident and injury free environment, which we have called 'destination zero'
- bring the 'health' back into health and safety – introducing occupational medical support on our development projects.

The Committee was keen to ensure that our health and safety processes and procedures remained clear, relevant and mandatory – with a zero tolerance approach to non-compliance across the business. This year, there has been a strong focus on reviewing our policy and providing bespoke training for all of our people, not just those working in development or asset management teams.

Our policy

The existing policy was reviewed by people working in our operations who are most closely affected by it. All areas of principal risk were identified and mitigating actions included within our policy which encourages people to assume responsibility and deal with them proactively. The policy was reviewed by all three of our health and safety committees, our London and Retail Executive Committees and legal team. It was then rolled out to every employee with the endorsement of our Chief Executive.

Training

The Group's Health and Safety Committee commissioned a review of health and safety training across the Group. The training requirements of every employee were considered and bespoke courses were designed. Every role was allocated mandatory and voluntary training. The process involved input from the health and safety team, human resources and the London and Retail Executive Committees.

External

Partnerships, relationships and sharing of best practice are all crucial to the success of our business. For this reason, we engage with external organisations like the Health and Safety Executive, Environmental Health Local Authority, Construction Industry Advisory Committee, Construction Clients Group, Property Health and Safety Forum, and Considerate Constructors Scheme.

Committee and reporting oversight

The executive committees of the London and Retail businesses and the Group receive presentations on activities, progress and incidents at least quarterly. Reports are reviewed by the Board who take a keen interest in the area.

Case study

DEVELOPMENT AT 1 & 2 NEW LUDGATE, EC4

The risk

Speculative development, where a building is constructed without a tenant in place, is another of our keys risks. Demolishing an income producing property results in a loss of revenue, which is exacerbated by the interest costs incurred in funding the development. A building that is unlet will adversely affect its value and can, if of sufficient size, impact on our ability to pay dividends.

Demolition and construction are inherently dangerous activities and present health and safety issues that need to be addressed.

As a result, the Group has a number of internal controls in place designed to identify, mitigate and manage risks both in relation to individual developments and its whole development programme.

This case study gives a flavour for the operation of our controls and the role of our Committees in decision making. It does not look at the extensive interaction with planning authorities and other stakeholders or how we ensured our Health and Safety procedures are followed during construction.

Oversight

The Group operates clear delegations of authority and financial controls which are embedded across the business. These include restrictions on the amount of unlet property within the development programme in order to preserve our ability to pay dividends and limit our financial exposure. More information on these controls appears in the 'Principal risks and how we manage them' section at pages 32–35.

Background to our decision to develop at New Ludgate

New Ludgate occupies a prominent island site facing Ludgate Hill, close to St Paul's Cathedral and adjacent to the Old Bailey. It was previously occupied by two dated 1950s commercial buildings known as 50 Ludgate Hill and Hillgate House, which became vacant in 2010. The site is already well connected and is set to benefit further when a new Crossrail station opens in 2018. As a result, occupier demand is likely to be high.

The London Executive Committee considered a number of options, which included reletting, refurbishment, sale or redevelopment, concluding that the returns from redevelopment were likely to be higher.

> "Our data was showing that there was likely to be unsatisfied demand for space in the City in 2015."

The interaction of our controls and committees

The London Executive Committee then considered the likely returns in the context of other potential developments and investments in the London Portfolio. In making this assessment, the committee used data prepared for the Asset and Liability Committee on the likely demand for and supply of space in that part of London and the impact of that on rental values. Much of the risk of having an unlet building can be mitigated by identifying a window of opportunity where demand is likely to be high and supply constrained. It is important to be in a position to deliver schemes into it.

Whilst it was recognised that the returns were likely to be attractive, the size of the speculative development programme in the remainder of the Group and some uncertainty as to the likely demand for space meant that we did not commit to the development straight away. Instead, we proceeded to de-risk the delivery of the scheme by taking steps to demolish the existing building, prepare the site for development and tender the construction works. This enabled us to respond quickly to any uptick in demand. Demolition was completed in April 2012 and everything put in place to enable us to build the scheme within two years of starting.

The Group's Asset and Liability Committee continued to meet and monitor the operation of our development controls. It considered local market data, which assisted in its determination of likely demand and supply of space in particular markets. It also considered the funding requirements for the scheme in the context of other activities requiring funding over the period. This data is shared with and discussed regularly at meetings of the Board.

As our other developments found tenants, the headroom within the Group's development controls increased and capacity became available to build the scheme. At the same time, our data was showing that there was likely to be unsatisfied demand for space in the City in 2015, driven by a number of large lease expiries and a lack of new space coming to the market.

The London Executive Committee determined the best time to deliver the scheme and then made a recommendation to the Investment Committee, which scrutinised the proposal. Their analysis considered alternative investments, the prospects for letting the space, the likely rents and whether the returns would meet the Group's hurdle rates and provide an adequate reward for the risk.

The scale of the scheme meant it required Board approval. The scheme had been flagged to the Board at several meetings before it was proposed for approval in order to help familiarise them with the project. The Board scrutinised the proposal, its returns and the assumptions upon which the recommendation was made, before approving it.

Completion of this 379,000 sq ft scheme is expected in April 2015. More details of the letting progress of this development appear in the review of the London Portfolio.

RELATIONS WITH INVESTORS

Approach to Investor Relations

The Company has a comprehensive Investor Relations programme which aims to help existing and potential investors understand the Group. The Investor Relations programme is designed for 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 maintained contact with principal shareholders and kept the Board informed of their views. She has planned an investor tour in June and July 2014 to meet investors in the UK and the Netherlands.
- 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 at Gunwharf Quays in Portsmouth and focused on the Retail Portfolio. Senior management from the Retail Portfolio presented updates on market conditions and all aspects of the business, including leisure. This was followed by a property tour of Gunwharf Quays. The conference also provided an opportunity for attendees to meet management below Executive Director level
- The presentations and an audiocast 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.

Investor presentations and tours

- In addition to our annual investor conference there were also presentations and tours of some of our major assets in the Retail and London portfolios. Tours were conducted at Trinity Leeds, White Rose, The Bridges in Sunderland, Glasgow and Livingstone, and our portfolio of developments and properties in Victoria.

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, JP Morgan and Bank of America Merril Lynch conferences in London, Citi CEO conference in Florida, Merrill Lynch conference in New York, and the Kempen conference in Amsterdam, amongst others.

> “The culture of the organisation is one that is willing to listen and to engage, and they are there if you need them.”
>
> **Feedback from an institutional investor**

Other initiatives

- The Chairman and Chief Executive held a dinner for the senior heads of equities 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.

Credit rating agencies

- During the year meetings were held by our Treasury team and senior management with both Standard & Poor's and Fitch ratings.
- 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 commissioned a report from the leading independent adviser Makinson Cowell on investor perceptions of the Company, its management, strategy and governance. Makinson Cowell also undertook a comprehensive benchmarking exercise on all aspects of the Investor Relations programme.

This included face-to-face interviews with principal investors to obtain their views on management and business performance. The results were then presented to the Board, with suggestions and improvements being taken forward by management. Recommendations and actions included the long-term vision for the Retail business to investors; improving the visibility of the new members of the Group's Executive Committee to investors; providing more guidance on the Group's longer term strategy and plans post the current phase of development and maintaining the Chairman's high standing with investors through periodic engagement.

The Investor Relations department also received feedback from analysts and investors during the year through the Group's corporate advisers. The Group's secretariat received feedback on governance matters directly from investors and shareholder bodies. 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 77.

The Governance Report was approved by the Board of Directors on 14 May 2014 and signed on its behalf by:

Adrian de Souza
Group General Counsel and Company Secretary

DIRECTORS' REMUNERATION – CHAIRMAN OF THE REMUNERATION COMMITTEE'S ANNUAL STATEMENT

Committee members

– Simon Palley (Chairman and Independent Non-executive Director)
– Dame Alison Carnwath (Chairman of the Board)
– Chris Bartram (Independent Non-executive Director)
– David Rough (Independent Non-executive Director – stepped down from the Committee on 31 May 2013)
– Edward Bonham Carter (Independent Non-executive Director – joined the Committee on 10 March 2014)

Dear Shareholder

This is my second report to shareholders as Chairman of the Committee, since I took over in October 2012. Last year, in order to demonstrate our support for the Government's proposals on the new requirements for the reporting of executive pay, we took steps to adopt many of the draft regulations early. Not only did we receive a vote of over 98% in favour of our report from shareholders, but, more generally, feedback on the format of the report was excellent, reflecting our efforts to produce a simpler and more transparent view of our arrangements. We have therefore had to make far fewer major changes this year now that the regulations have become law, and we hope that the new report is again well received.

Overall approach to Remuneration

Our overall approach to Remuneration is driven by our objective of generating returns for our shareholders that are higher than those received by others who invest in our peer group or the underlying property market. We acknowledge that attracting and retaining the right people is the key to our success, and therefore it is critical that our reward packages:

- Are simple, transparent and demonstrably aligned with the interest of shareholders
- Support the delivery of the Group's key performance targets over the short, medium and longer term. This means having short-term plans (e.g. annual bonus) which reward specific and measurable KPIs (e.g. development lettings, planning permissions), but which are also effectively linked to sustained longer-term performance, reflected in Total Property Return and returns to shareholders
- Ensure that a long-term focus is maintained 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
- Are focused on relative, rather than absolute measures, so that even in a year when profits are high, the outturns of our plans may be low if our competitors have performed more strongly. Equally, in very tough market conditions, the outturns for variable pay could be higher when outperformance has been significant, even if absolute returns are lower. The structure should ensure that superior rewards are only paid for exceptional performance against challenging targets.

Reflections on the year

Following the extensive consultation on our revised arrangements for Executive Directors undertaken in 2012, we have had a relatively settled year in terms of the plans in place. We have seen high levels of activity across all areas of the portfolio, particularly in London where our decision to focus on early cycle development has continued to bear fruit. There has been a high degree of change in the Retail business where we have faced up to difficult decisions to sell assets which we do not believe are set to thrive in a changing world.

Our performance against the **Annual Bonus** measures can be summarised as follows:

- It has been an extremely strong performance in Revenue Profit terms, where the absolute growth, as well as performance against budget, drives the creation of the bonus pool. This has been partly driven by the later than planned sale of some assets, but also by a relentless focus on both investment and development lettings, and a tight control of both recoverable and non-recoverable costs
- Our measure of Total Property Return versus the market (using the IPD quarterly index weighted to the sectors the Group is invested in) has been a much tougher challenge, due to the outstanding performance of the index in central London small lot sizes, which make up the majority of this part of the benchmark. As Land Securities is required to outperform the benchmark before any annual bonus is due, no payment has been made against this element
- The team delivered a strong performance against the key business targets agreed at the beginning of the year, with a notable contribution from the London team to the development lettings performance, and the achievement of all the targeted planning permissions across both portfolios. The only significant under-achievement was in planned disposals, where a delay in the sale of one asset meant that no bonus was awarded for this element, as all three targeted assets had to be sold above a target price to trigger a payment.

In total, this performance has created bonus outturns which are lower than last year (68.5% of the maximum Group element, versus 86% in 2013), but still reflect some notable achievements in an ever-changing marketplace.

Turning to the **Long-term incentive plan**

- Against a very tough IPD index, as described above, we matched the Total Property Return over the three year performance period to March 2014, and therefore 12.5% of this portion of the awards vested
- The Total Shareholder Return performance, which drives the other 50%, has been excellent over the three year period at 4.1% per annum outperformance versus the comparator group

This has all added up to the 2011 awards vesting at a total of 62.5% of the maximum, versus 76% for the 2010 awards.

Other key activities for the Committee during the year

In a relatively stable year for the remuneration arrangements, the Committee has been involved in a number of other key pieces of work. It has overseen the arrangements for the departure of Richard Akers, who stepped down from the Board on 31 March 2014. Mr Akers has only been rewarded for the period in which he served as a Director, and although the committee took the decision to apply some 'good leaver' provisions, his unvested share awards either lapsed (in the case of the 2013 award) or were pro-rated to reflect the portion of each performance period to which he actively contributed. Mr Akers was deemed to have earned his deferred bonus shares, as these were awarded in respect of performance periods that had already passed. However, no severance payment, or payment in lieu of notice, was awarded.

The Committee has also overseen the remuneration arrangements for the new Executive Committee. Whilst they do not serve on the main Board, the two new Managing Directors, whose appointments formally date from 1 April 2014, are rewarded under a bespoke set of arrangements which take them much closer to those for Executive Directors, including the use of Group, rather than Business Unit performance measures, and an element of deferral into shares of their annual bonuses.

Finally, the Executive team has led a review of the fees for Non-executive Directors, which had not increased for four years (five for the Chairman). Details of the review are covered in the report.

Looking forward

As the market in which we operate changes, whether as a cyclical or more fundamental shift, it is very important that our remuneration frameworks continue to drive the right focus of effort and behaviour from the management team. As I referenced earlier, 2015 will be the third anniversary of our current arrangements, and we therefore expect to make some adjustments to our plans over the course of the year. This may include reviewing our measures of performance, as well as the mechanics of how our plans operate. I will provide shareholders with a full update on this work next year, and I am sure that I will be consulting with some of you as our plans emerge.

Simon Palley
Chairman, Remuneration Committee

DIRECTORS' REMUNERATION POLICY REPORT

1. Introduction to the policy report

This part of the Directors' Remuneration Report sets out the remuneration policy for the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012 and the views of our major shareholders. The Policy Report will be put to a binding shareholder vote at the 2014 AGM and the policy will take formal effect from the date of approval. It is intended that the policy will be in force for a period of three years.

2. The role of the Remuneration Committee in setting Policy

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 metrics reflects the performance of the business
- Determining the individual remuneration packages for Executive Directors and our most 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.

Although the Committee actively seeks out the views of shareholders when setting policy, the Company does not formally consult with employees on executive remuneration. However, when setting the remuneration policy for Executive Directors, the Committee takes into account the overall approach to reward for, and the pay and employment conditions of, other employees in the Group. This is referred to in section 7.

No Director is 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 is regularly undertaken as part of the Board Effectiveness Review.

3. Remuneration policy

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

Remuneration policy (Unaudited) Table 32

Purpose and link to strategy	Operation	Opportunity	Discretion	Changes to Policy 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 • 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.	For 2013/14, the annual base salaries of the Executive Directors were £693,600 (CEO), £469,200 (CFO) and £418,000 (Executive Director). The maximum annual salary increase will not normally exceed the average increase across the rest of the workforce. Larger increases will be exceptional, and made in specific circumstances: • Increase in responsibilities or scope of the role • To apply salary progression for a newly appointed Director (see policy described in section 5.3) • Where the Director's salary has fallen significantly below the market positioning.	The Committee has the discretion to determine the precise amount of base salary within the policy, including approving the salary for a newly appointed Director (see section 5.3). It will also determine whether there are specific reasons to award increases greater than those for the general workforce.	None
Benefits				
• To provide protection and market competitive benefits to aid recruitment and retention of high quality executives.	Directors receive 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 • Occasional gifts, for example appropriate long service or leaving gifts.	The value of benefits may vary from year to year depending on the cost to the Company.	The Policy will always apply as stated, unless there are specific individual circumstances why it should not.	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.	The Policy will apply as stated.	None

Remuneration policy continued

Table 32

Purpose and link to strategy	Operation	Opportunity	Discretion	Changes to Policy in the year
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 • Specific measures and targets, for example successful planning applications and asset management initiatives, will provide future opportunity for the business and will increase the value of our property in the short term • Other KPIs, such as development lettings targets, are likely to have a significant impact on long-term capital growth and revenue profit performance • The ability to recognise performance through variable remuneration enables the Group to control its cost base flexibly and react to events and market circumstances • Deferral of a portion of annual bonuses into shares encourages a longer-term focus aligned to shareholders and discourages excessive risk taking.	All measures and targets are reviewed and set by the Board at the beginning of the year and payments are determined by the Committee after the year end, based on performance against the targets set. • The specific measures and targets will be set each year, but will always include a measure of Total Property Return (30% weighting in 2013/14) versus that of the market, as the most visible indication of underlying performance • The other measures and targets will reflect the most critical business performance indicators for the year, and will be both specific and measurable. Growth in Revenue Profit will always feature as a key measure of performance • A small proportion (no more than 20% of base salary) of a Director's bonus is based on the achievement of measurable individual performance objectives • The structure of the plan incentivises outperformance by ensuring that the 'threshold' targets are stretching, and that (for relative measures) nothing is paid out for merely matching the performance of the competitor group • 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 • Not pensionable • Clawback provisions apply where any overpayment was made as a result of the misstatement of the Company's results or a performance condition which caused the overpayment.	• Minimum bonus is nil • Maximum bonus potential of 150% of salary.	• The Committee has the discretion to approve the specific threshold and stretch targets against each of the measures for a specific year • The outturns of the Group element of the bonus plan are calculated formulaically and therefore the Committee has no discretion to adjust these, unless there is a specific reason for adjusting them down (see section 3.3) • The Committee does have the discretion to award appropriate bonus payments under the individual element (maximum 20% of base salary) to reflect the performance and contribution of an individual Director. Within the Policy, the committee will retain flexibility including: • When to make awards and payments • How to determine the size of an award, a payment, or when and how much of an award should be payable • Who receives an award or payment • Whether a departing Director should receive a bonus and whether and what proportion of awards should be paid at the time of leaving or at a subsequent date • Whether a departing Director should be treated as a 'good' or 'bad' leaver in respect of deferred bonus shares • How to deal with a change of control or any other corporate event which may require adjustments to awards.	None
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	• The Committee may make 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 • There is no re-testing • The Committee reviews the measures, their relative weightings and targets prior to each award.	**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.	• The Committee has the discretion to determine whether an exceptional award of 200% of salary is appropriate • The outturns of the long-term incentive plan are calculated formulaically and therefore the Committee has no discretion to adjust these, unless there is a specific reason for adjusting them down (see section 3.3).	None

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

Remuneration policy continued Table 32

Purpose and link to strategy	Operation	Opportunity	Discretion	Changes to Policy in the year
Long-term share incentive plans continued				
• Aligns the long-term interests of Directors and shareholders • Promotes retention.	• The measures selected are relative, and directly aligned to the interests of shareholders. 50% of the weighting is given to a measure of Total Property Return versus competitors over a three year period, and 50% to Total Shareholder Return versus our listed comparator group over the same three year period • No awards vest for performance below that of the comparator group, only a small proportion (27.5% in the performance period ending March 2014) will vest for matching the performance of the Group, and significant outperformance is required for the maximum award to vest • 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 where any overpayment was made as a result of the misstatement of the Company's results or a performance condition which caused the overpayment.	• Once the five year period has elapsed, shares pledged must be over and above the shareholding requirement as executives should have built up sufficient equity	Within the Policy, the committee will retain flexibility including: • When to make awards and payments • How to determine the size of an award, a payment, or when and how much of an award should vest • Who receives an award or payment • Whether a Director is treated as a 'good' or 'bad' leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at a subsequent vesting date • How to deal with a change of control or any other corporate event which may require adjustments to awards.	
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 £500 per month, for between three and five 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 • The scheme offers tax advantages in that the gain is free of income tax.	• See 'Operation' column.	The Policy will apply as stated.	The contribution ceiling for awards made after 6 April 2014 has been raised from £250 to £500 in line with government policy.
Share ownership				
• To provide close alignment between the longer-term interests of Directors and shareholders in terms of the Company's growth and performance.	Clear Shareholding Guidelines are in place. Currently these are: • Executive Directors are required to own shares with a value set at a percentage of base salary: – Chief Executive – 200% of salary – Other Executive Directors – 150% of salary • They are required to achieve these levels within five years of appointment in order to qualify for future long-term incentive awards. Deferred or unvested share awards not subject to performance conditions may count towards the guideline, but once this has been achieved, additional shares are required to be held in order to qualify for awards under the Matching Share Plan.	n/a	The Policy will apply as stated.	None

3.2 Previous arrangements

For the avoidance of doubt, in approving this Policy Report, authority is sought by the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

3.3 Discretion

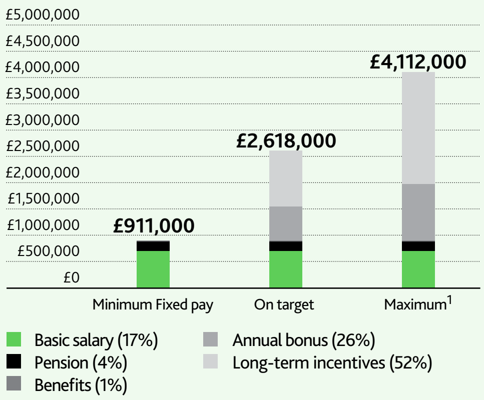
The Committee operates within the policy at all times. It will also operate the plans according to the rules of each respective plan and consistent with normal market practice and the Listing Rules. Within the policy, it will retain the discretion to look at performance 'in the round', including withholding, or deferring payments in certain circumstances where the outcomes for Directors are clearly misaligned with the outcomes for shareholders. Any specific circumstances which necessitate the use of discretion will always be explained clearly in the Annual Report on Remuneration. Please see the previous table for more detail on the discretion allowed for each element of the reward package.

4. Fixed and variable pay reward scenarios

4.1 Total opportunity at maximum and target levels

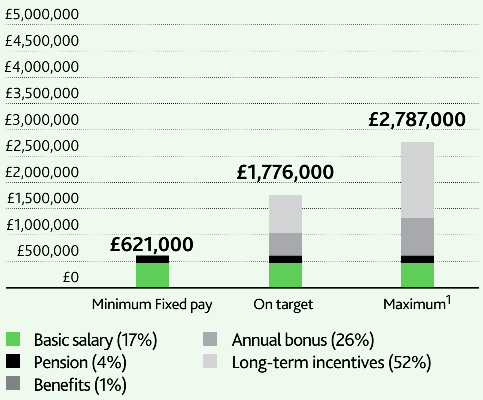
Our aim is to ensure that superior rewards are only paid for exceptional performance, with a substantial proportion of Executive Directors' remuneration payable in the form of performance related pay. The charts that follow illustrate the remuneration opportunity provided to each Executive Director at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

Robert Noel
Chief Executive
Chart 33



1 Percentages are of the maximum.

Martin Greenslade
Chief Financial Officer
Chart 34



1 Percentages are of the maximum.

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

Fixed and variable pay – assumptions (Unaudited) Table 35

		Outturn			
		Base (£000)	Benefits (£000)	Pension (£000)	Total fixed (£000)
Fixed pay	• Consists of the latest base salary, benefits and pension allowances • Pension allowance calculated at 25% of new base salary.				
	Robert Noel, Chief Executive	711	22	178	911
	Martin Greenslade, Chief Financial Officer	481	20	120	621
On-target award	This is based on what a Director would receive if performance was in line with expectations: • Annual bonuses pay out at 60% of the maximum for performance in line with expectations • Long-term incentive plan performance in line with expectations would see approximately 50% of the award vesting. Vesting levels over the last ten years have broadly averaged 50% • Assumes maximum pledge of shares for SMP.				
Maximum award	• 100% of the annual bonus • 100% vesting of long-term incentive awards • Assumes maximum pledge of shares for SMP.				

4.2 Payment schedule

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 annual bonus payment is equivalent to at least 100% of salary.

Payment schedule (Unaudited) Table 36

Financial year	Base year	Base year +1	Base year +2	Base year +3
Element of remuneration received	• Base salary • Pension • Benefits.	• The annual bonus targets are measured and the first portion of the annual bonus (up to 50% of salary) is paid in cash.	• The second portion of the annual bonus (between 50% and 100% salary) is released as shares.	• The final portion of the annual bonus (more than 100% of salary) is released as shares.
Shares	• Long-term incentive plan shares granted • Matching shares pledged			• LTIP and Matching Share Awards vest.

5. Directors' service agreements and letters of appointment

5.1 Service agreements

Both of the Executive Directors have service agreements and these normally continue until the Director's agreed retirement date or such other date as the parties agree. The Company's policy is that Executive Directors will be employed on a contract that can be terminated by the Company on giving no more than one year's notice, with the Executive Director required to give one year's notice of termination.

As stated in last year's report Martin Greenslade's service agreement was updated in May 2013 to bring it into line with investor guidelines on termination provisions by 2015. His contractual entitlement to be treated as a 'good leaver' for the purposes of the Company's share schemes, and to a pro-rated bonus, in the event of his dismissal, will be fully withdrawn by March 2015. Robert Noel's service agreement contains no such contractual entitlement and is fully aligned with investor guidelines.

The dates of the current service agreements of the Executive Directors are shown in the Annual Report on Remuneration.

The Company allows Executive Directors to hold external directorships subject to the approval of the Board, and to retain fees from these roles.

5.2 Termination provisions

A Director's service agreement may be terminated without notice and without further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain events such as gross misconduct. The circumstances of the termination (taking into account the individual's performance) and an individual's opportunity to mitigate losses are taken into account by the Committee when determining amounts payable on termination. Our normal policy is to stop or reduce compensatory payments to former Executive Directors when they receive remuneration from other employment during the compensation period. The Company does not make any arrangements that guarantee pensions with limited or no abatement on severance or early retirement.

Any share-based entitlements granted under the Company's share plans will be determined on the basis of the relevant plan rules. The default position is that any outstanding unvested awards lapse on cessation of employment. However, under the rules of the long-term incentive plan, in certain prescribed circumstances such as redundancy, disability, retirement, or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. For example, if an executive's role has effectively been made redundant, and there are no significant performance issues, the Committee is likely to look favourably on the granting of some 'good leaver' provisions. However, if an executive has resigned for a similar role in a competitor organisation, then such provisions are extremely unlikely to apply. Where 'good leaver' provisions in respect of share awards are deemed to be appropriate, a participant's awards should vest on a time pro-rata basis subject to the satisfaction of the relevant performance criteria with the balance of the awards lapsing. The Committee retains discretion to decide not to pro-rate if it is inappropriate to do so in particular circumstances. For the avoidance of doubt, if the termination of employment is not for one of the specified reasons, and the Committee does not exercise its discretion to allow an award to vest, a participant's full awards lapse.

5.3 Policy on the remuneration of newly appointed Executive Directors

The remuneration package for a new externally-appointed Executive Director would be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. The policy, as described, on base salary will apply, but the Committee has the flexibility to set the salary of a new hire at a discount to the market level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance in the role. Only in very exceptional circumstances will the salary of a newly appointed Director exceed the market median benchmark for the role.

The annual bonus would operate in accordance with the terms of the approved policy, albeit with the opportunity pro-rated for the period of employment. Depending on the timing and responsibilities of the appointment, it may be necessary to set different performance measures and targets initially. The long-term incentive plan would also operate in accordance with the policy, but in exceptional circumstances, the Committee has the discretion to make a grant of shares of up to 200% of salary to a new Executive Director.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be paid out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment would continue, provided that they are put to shareholders for approval at the earliest opportunity.

In addition to the elements of the package covered by the Policy, the Committee may offer additional cash and/or share-based elements (on a one-time basis or ongoing) when it considers these to be in the best interests of the Company. Any such payments would be based solely on remuneration lost when leaving the former employer and would reflect the delivery mechanism (i.e. cash, shares, options), time horizons and whether performance conditions are attached. In exceptional circumstances, the Committee may also consider it appropriate to grant other types of awards, for example if a new recruit with unique and required skills had other commercial opportunities that were foregone in joining the Company. Such payments would take clear account of any value forfeited in such circumstances.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses, on a one time basis, as appropriate. Where a Director is recruited from overseas, flexibility is retained to provide benefits that take account of market practice in their country of residence.

For the appointment of a new Chairman or Non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Shareholders will be informed of all payments to newly-appointed directors at the time of appointment.

5.4 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 in the Annual Report on Remuneration.

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

6. Non-executive Director remuneration policy

Non-executive Director remuneration policy (Unaudited) Table 37

Purpose and link to strategy	Operation	Opportunity	Changes to Policy in the year
Base fee			
• To aid the recruitment, retention and motivation of high performing Non-executive Directors • To reflect the time commitment given by Non-executive Directors to the business.	• Reviewed (but not necessarily changed) annually by the Board, having regard to independent advice and published surveys.	• The current fees for Non-executive Directors are shown in the Annual Report on Remuneration section 2 • Non-executive Director fees are typically reviewed annually but increased every three to four years. Any increases reflect relevant market data for Non-executive Directors in companies of a similar size and complexity, and the time commitment required.	None
Additional fees			
• To reflect the additional time commitment required from Non-executive Directors in chairing various Board sub-committees.	• Reviewed (but not necessarily changed) annually by the Board, having regard to independent advice and published surveys.	The opportunity depends on which, if any, committee chairmanship roles are assumed by an individual Director over the course of their tenure.	None
Other incentives and benefits			
	• Non-executive Directors do not receive any other remuneration or benefits beyond the fees noted above with the exception of travel and hospitality costs associated with Board meetings.	n/a	n/a
Share ownership			
• To provide close alignment between the longer-term interests of Directors and shareholders in terms of the Company's growth and performance.	The current share ownership guidelines are as follows: • Non-executive Directors are required to own shares with a value of 100% of annual fees. They are required to achieve these levels within three years of appointment.		

7. Group wide remuneration

7.1 Base pay

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 reviews data on pay settlements within the economy, the rate of inflation and pay rates for equivalent roles in similar companies. Directors generally receive an increase equivalent to the average, unless there has been a change in scope for the role, or there is a specific market reason for a different award.

7.2 Annual bonus

The individual element of an employee's bonus is determined on the basis of their individual performance, i.e. both the achievement of objectives set at the beginning of the year, and their demonstration of broader capabilities, including Leadership capabilities for those in senior roles. Inevitably, the scoring involves an element of judgement. For Executive Directors, the same principles apply, but we expect to see a strong correlation between individual performance and the achievement of Company objectives. Therefore, it should not be possible for Executive Directors to achieve a maximum individual bonus in a year when the Company has performed badly in the context of the market.

7.3 Executive Committee and Senior Leaders

Following a reorganisation of the senior team, the population of Senior Managers below the Board falls within two broad categories – Executive Committee members and Senior Leaders. There are four members of the Executive Committee below Board level, including the two newly appointed Managing Directors for London and Retail, the Group Human Resources Director, and the Group General Counsel and Company Secretary. None of these executives receives a salary or total remuneration package which is higher than those paid to the Executive Directors. The structure of their remuneration packages, including LTIPs, Matching Performance Share Awards and bonuses, is broadly consistent with that of Executive Directors, albeit at a lower quantum. The bonuses of the Managing Directors are based on group-wide performance metrics, and a portion of bonus is deferred into shares. From 2014/15, Executive Committee members will typically have a total annual bonus potential of 100–125% of base salary based on targets set at the beginning of the financial year. The second category of senior managers (19 in total) are 'Senior Leaders' – normally heads of significant business functions. These leaders have an annual bonus potential of up to 100% of base salary, depending on the role. They may also receive LTIP Share Awards, albeit at lower proportions of salary than Executive Directors.

7.4 Other employees

Other employees are also entitled to participate in the Company's annual bonus scheme. For 2014/15, the maximum awards will range between 20% and 60% of salary, depending on job role.

All employees, other than Executive Directors, are also eligible to be considered for an award from the discretionary bonus pool of £1m, 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.

8. Shareholder engagement

We maintain strong relationships with shareholders and shareholder bodies and have encouraged them to share their thoughts with us. Although it has not been necessary to consult with shareholders in the current year, as our plans have remained unchanged, the Remuneration Committee spends time each year considering new trends, shareholder feedback and requirements. We also gather the views of shareholder bodies on a variety of matters, including the structure of the Remuneration Report.

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

DIRECTORS' REMUNERATION REPORT – ANNUAL REPORT ON REMUNERATION

The Annual Report on Remuneration describes how we intend to apply the policy for the year ahead (from April 2014 to March 2015) and how the policy has been applied for the financial year from 1 April 2013 to 31 March 2014, including all the payments made or accruing to Directors in connection with the year.

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

- Ensuring a clear understanding of the new regulations on Executive Remuneration, and meeting the requirements in the reporting
- Overseeing the arrangements for the departure of Richard Akers
- Overseeing the remuneration arrangements for the expanded Executive Committee in the context of the review of the organisation and the broader leadership changes
- 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.

1. Dates of appointment for Directors

(Unaudited) Table 38

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 (stepped down 31 March 2014)	17 May 2005	9 May 2013
Non-executive Directors		
Dame Alison Carnwath	1 September 2004	13 November 2008
David Rough (steps down on 18 July 2014)	2 April 2002	29 April 2004
Sir Stuart Rose (stepped down 31 December 2013)	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
Edward Bonham Carter	1 January 2014	1 November 2013
Cressida Hogg	1 January 2014	1 November 2013

2. The application of the policy for the year ahead

This section lays out how we intend to apply our Remuneration Policy over the course of the year commencing 1 April 2014.

2.1 Directors' salaries

Once again, the Committee has not undertaken a peer group benchmarking exercise this year for Executive Directors. Instead, the Committee has awarded Executive Directors increases of 2.5%. This is in line with the average increase received by employees as a whole, excluding promotions and exceptional increases. Salary increases take effect from 1 June 2014.

Executive Directors (Unaudited) Table 39

Name	Current (£000)	From 1 June 2014 (£000)	% increase	Average % increase over five years (including 2014/15)
Robert Noel	694	711	2.5	**2.25**[1]
Martin Greenslade	469	481	2.5	**2.65**

1 Robert Noel's average increase over two years, to reflect his tenure as CEO.

Non-executive Directors

In September 2013, the Board took the decision to increase the fees for Non-executive Directors, as shown in the table below. In reaching its decision, the Board took into account data from several published surveys, and insight on trends on Non-executive pay provided by our independent remuneration advisors. We believe that these rates will enable us to continue to attract Non-executive Directors of the highest calibre, and recognise the significant time commitment given.

Non-executive Directors (Unaudited) Table 40

NED fee	Previous (£000)	From 1 October 2013 (£000)	% increase	Equivalent annual % increase[1]
Chairman	300	350	17	3.2
Base fee	60	67.5	12.5	3.0
Audit Committee Chair	17.5	17.5	0	0
Remuneration Committee Chair	12.5	12.5	0	0
Senior Independent Director	10	10	0	0

1 Calculated as an incremental increase, over five years for the Chairman, four years for NEDs.

2.2 Pensions and benefits

Pensions and benefits arrangements will continue to operate as per the policy outlined in the previous section. No signficant changes are anticipated to the monetary value of these benefits, apart from those that are linked to base salary levels, for example pension allowances.

2.3 Variable pay

There will be no change to the operation of the Annual Bonus Scheme and long-term incentive plans for the current year. The table overleaf details our choice of performance targets, which are designed to align individual rewards with the Group's long-term and short-term performance and relative shareholder returns.

We have shown both the measures and the specific targets that will apply for the long-term incentive plan, including the Share Matching Plan. These apply for all three performance periods where the Financial Year 2014/15 forms part of the three year period – i.e. in respect of the awards made in 2012 (year 3), 2013 (year 2) and 2014 (year 1).

We have not included some of the specific business plan targets for the Annual Bonus Plan, as they are commercially sensitive, but we have laid out clearly the performance measures we will use. Details of the targets for 2014/15 will be laid out in next year's report when we explain the outturn of the Annual Bonus.

2.4 Performance targets for the coming year

Performance targets for the coming year (Unaudited) Table 41

Metric	Link to strategy and value for shareholders	Performance measure	Target
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 £8.0bn, our target of 4% per annum outperformance over three years would generate approximately £1.0 bn 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.	Measured over a period of three financial years: • 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) • 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.	Outperformance of the index by 4% or more per annum.
• 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 £11.8bn, our target 1% per annum outperformance over three years generates approximately £360.0m of value beyond that which would have been received had the portfolio 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.	Measured over a period of three financial years: • 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.	Outperformance of the index by 1% or more per annum.
Annual bonus			
• Ungeared Total Property Return (26.0% of award, or 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 £11.8bn, the 2% outperformance targeted for one year would generate approximately £235.0m 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.	• The Group's ungeared Total Property Return (TPR) relative to the sector weighted IPD Quarterly Universe index • No payment is made for matching or performing below the index, and payment is then on a straight-line basis between matching and outperformance of 2% for the year.	Outperformance of the index by 2% for the year.
• Absolute growth in revenue profit (c.26.0% of award, or 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.	• Once the Group has met a threshold target on Revenue Profit, a portion (5%) of the over-achievement is used to generate the bonus pool for the Group. For the Executive Directors, this may mean that the maximum shown is exceeded, as there is no upper cap on the overachievement. However, there is a total cap on the Group element of Directors' bonuses of 130% of base salary.	Will be confirmed in 2015 Report.

Performance targets for the coming year continued

Table 41

Metric	Link to strategy and value for shareholders	Performance measure	Target
Annual Bonus – specific business targets			
• Development lettings (20.8% of award, or 31.2% of salary).	• A key driver of income and revenue profit in the future • Proves the value of the development and drives capital growth.	• Specific threshold and stretch targets have been set for both the London and Retail Business Units.	Will be confirmed in 2015 Report.
• Planning permissions (6.9% of award, or 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.	• Specific targets have been set for individual assets in both the London and Retail Business Units.	Will be confirmed in 2015 Report.
• Employment strategy (3.5% of award, or 5.2% of salary).	• A key way in which Land Securities can deliver on its commitment to the communities in which it operates, and create a sustainable future by building a skilled workforce.	• A target has been set around securing permanent employment for an increased number of candidates on the London training programme, and for expanding this programme into key developments in the Retail Portfolio.	125 candidates from our London Programme into permanent employment, and expansion of the programme to suitable developments in retail.
• Management of the Group's secured lending pool (3.5% of award, or 5.2% of salary).	• Increasing our flexibility within the secured lending pool.	• A specific target has been set around the balance of assets in the pool across both portfolios.	Will be confirmed in 2015 Report.
• Individual targets for Executive Directors (13.3% of award, or 20.0% of salary).	• Ensures that each Director focuses on his individual contribution in the broadest sense, aligned with, but not limited to, specific business targets • Encourages a focus on personal development.	• A mix of short-term and long-term individual goals set at the beginning of the year.	Will be confirmed in 2015 Report.

2.5 Savings Related Share Option Scheme

We will again be offering all employees, including Executive Directors, the opportunity to make monthly contributions for a period of between three and seven years, at the end of which shares may be purchased at a discount to the market price. In line with government policy, the contribution ceiling has been raised from £250 to £500 for any awards made after 6 April 2014.

2.6 Directors' shares

The shareholding guidelines in operation are shown in the Remuneration Policy table (section 3.1). As at 31 March 2014, the interests of the Directors in the shares of the Company are as follows:

Directors' shares

(Audited) Table 42

Name	Salary (£)	Required holding value (£)	Holding (actual – number of shares)	Value of holding (£)[1]
R Noel	694,000	1,388,000	163,011	**1,664,342**
M Greenslade	469,000	703,500	302,151	**3,084,962**
A Carnwath	350,000	350,000	141,193	**1,441,581**
D Rough	67,500	67,500	16,950	**173,060**
K O'Byrne	95,000	95,000	11,516	**117,578**
C Bartram	67,500	67,500	11,478	**117,190**
S Palley	82,500	82,500	17,061	**174,193**
S Rauch	67,500	67,500	8,000	**81,680**
E Bonham Carter	67,500	67,500	–	**–**
C Hogg	67,500	67,500	–	**–**

1 Using the closing share price of £10.21 on 31 March 2014. Holding excludes deferred bonus shares.

Both Robert Noel and Martin Greenslade meet the guidelines for Executive Directors. All Non-executive Directors in post on 31 March 2014 complied with the requirement with the exception that Edward Bonham Carter and Cressida Hogg held no shares when they formally joined the Board on 1 January 2014. They have until 31 December 2016 to comply.

2.7 Outstanding share awards held by 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. It also shows those awards under both plans that vested or were exercised during the year.

LTIP and matching shares awarded and those that vested this year[1] (Audited) Table 43

		Cycle ending	Award date	Market price at award date (p)	Shares awarded	Shares vested	Market price at date of vesting (p)	Vesting date
Robert Noel	LTIP shares	2013	29/06/2010	572	68,493	52,096	892	29/06/2013
		2014	29/06/2011	827.5	49,305			29/06/2014
		2015	27/07/2012	777	131,274			27/07/2015
		2016	08/07/2013	921	112,964			08/07/2016
	Matching shares	2013	30/07/2010	613	65,564	49,868	935	30/07/2013
		2014	29/07/2011	861	50,218			29/07/2014
		2015	27/07/2012	781	130,600			27/07/2015
		2016	08/07/2013	921	112,964			08/07/2016
Martin Greenslade	LTIP shares	2013	29/06/2010	572	70,890	53,919	892	29/06/2013
		2014	29/06/2011	827.5	51,359			29/06/2014
		2015	27/07/2012	777	88,803			27/07/2015
		2016	08/07/2013	921	76,416			08/07/2016
	Matching shares	2013	30/07/2010	613	70,046	53,277	935	30/07/2013
		2014	29/06/2011	861	51,580			29/07/2014
		2015	27/07/2012	781	88,348			27/07/2015
		2016	08/07/2013	921	76,416			08/07/2016
Richard Akers[1]	LTIP shares	2013	29/06/2010	572	63,801	48,527	892	29/06/2013
	Matching shares	2013	30/07/2010	613	62,620	47,629	935	30/07/2013

1. See section 3.4 for the treatment of Richard Akers' unvested share awards from 2011, 2012 and 2013.

Directors' options over ordinary shares (Audited) Table 44

		Granted during year		Exercised/(lapsed) during year					
	Number of options at 31/03/13[1]	Number	Grant price (p)	Number	Exercise price (p)	Market price on exercise (p)	Number of options at 31/3/2014	Exercise price (p)	Exercisable dates
Martin Greenslade	1,599	–	–	–	–	–	1,599	577	08/2015–02/2016
Richard Akers[2]	4,033	–	–	3,649	388	1,021	–	–	–

1 2003 Savings Related Share Option Scheme. Not subject to performance conditions as it is available to all staff and HM Revenue and Customs' rules do not permit performance conditions for this type of scheme. Not exercised during the 2013/14 year, and therefore no gains shown.
2 Richard Akers was allowed to exercise the accumulated portion (i.e. excluding the period from 31 March 2014 to 1 August 2014) of his SAYE shares as part of his exit arrangements.

3. Remuneration outcomes for Directors during the year

In this section, we explain the pay outcomes for Directors in relation to the financial year ending on 31 March 2014. The table below shows the payments we expect to make, and then the following tables give more detail on how we have measured the performance outcomes with respect to the Annual Bonus and long-term incentive plans, in the context of value created for shareholders.

3.1 Directors' emoluments

The basis of disclosure in the table below 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 ending 31 March 2014. The values shown for long-term incentive plan awards in 2013/14 are calculated using the average share price for the quarter ending on 31 March 2014. The actual price is not known at the time of writing as the awards do not formally vest until June and July 2014. In anticipation of the changing requirements, last year's table was drawn up on the same basis, so that the numbers can be directly compared.

Single total figure of remuneration for each Director (£000) (Audited) Table 45

	Basic salary and fees[1]		Benefits[2]		Pension allowance[3]		Annual bonus paid in cash		Annual bonus deferred into shares		Total emoluments		Long-term incentives vested[4]		Total	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Executive Directors																
Robert Noel	**694**	680	**22**	22	**173**	170	**347**	340	**389**	535	**1,625**	1,747	**647**	931	**2,272**	2,678
Martin Greenslade	**469**	460	**20**	20	**117**	113	**235**	230	**258**	353	**1,099**	1,176	**669**	979	**1,768**	2,155
Richard Akers	**418**	410	**23**	23	**105**	102	**378**	205	**0**	306	**924**	1,046	**1,720[5]**	878	**2,644**	1,924

1. Basic salary is stated as per annum figure. Actual salaries in the year were £691,333 (Robert Noel), £467,666 (Martin Greenslade) and £416,833 (Richard Akers).
2. Benefits consist of the provision of a company car or car allowance, private medical insurance and life assurance premiums.
3. The pension allowance shown is a cash emolument of 25% of base salary. Richard Akers opted out of the Defined Benefit Pension Scheme in 2012.
4. The long-term incentives for 2013/14 have been calculated using a share price of £10.40. The long-term incentives vesting in 2012/13 were estimated in last year's report, so have been adjusted to reflect actual values.
5. Richard Akers' vested long-term incentives include the pro-rated awards for the 2012 plan (see section 3.4), but do not include the bonus shares for past performance periods.

Single total figure of remuneration for each Director (£000) continued (Audited) Table 45

	Basic salary and fees[1]		Benefits		Pension allowance		Annual bonus paid in cash		Annual bonus deferred into shares		Total emoluments		Long-term incentives vested		Total	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Non-executives																
Dame Alison Carnwath	**325**	300	**–**	–	**–**	–	**–**	–	**–**	–	**325**	300	**–**	–	**325**	300
David Rough	**64**	66	**–**	–	**–**	–	**–**	–	**–**	–	**64**	66	**–**	–	**64**	66
Kevin O'Byrne	**91**	88	**–**	–	**–**	–	**–**	–	**–**	–	**91**	88	**–**	–	**91**	88
Sir Stuart Rose[2]	**47**	60	**–**	–	**–**	–	**–**	–	**–**	–	**47**	60	**–**	–	**47**	60
Chris Bartram	**64**	60	**–**	–	**–**	–	**–**	–	**–**	–	**64**	60	**–**	–	**64**	60
Simon Palley	**76**	66	**–**	–	**–**	–	**–**	–	**–**	–	**76**	66	**–**	–	**76**	66
Stacey Rauch	**64**	60	**–**	–	**–**	–	**–**	–	**–**	–	**64**	60	**–**	–	**64**	60
Edward Bonham Carter	**17**	0	**–**	–	**–**	–	**–**	–	**–**	–	**17**	0	**–**	–	**17**	0
Cressida Hogg	**17**	0	**–**	–	**–**	–	**–**	–	**–**	–	**17**	0	**–**	–	**17**	0

1. The basic fees for Non-executive Directors were increased on 1 October 2013. The amounts shown are the actual fees earned in the year.
2. Sir Stuart Rose stepped down on 31 December 2013.

3.2 Annual bonus outturns

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 following table illustrates the Group targets and the respective outcomes. For more detail on the significance of the key targets, please see section 2.4 – performance targets for the year ahead.

The Group Annual Bonus outturns, together with the long-term incentive plan outturns, as they were applied to Richard Akers, are shown in a separate table. This is because Mr Akers stepped down from the Board on 31 March 2014, and was awarded his bonus and shares at the point of departure, before all the outturns had been confirmed.

Annual bonus outturn (Unaudited) Table 46

Target	Percentage of base salary (maximum)	Assessment	Outturn: Percentage of base salary awarded	Outturn: Percentage of maximum
Ungeared Total Property Return.	39.0	• The adjusted Land Securities Total Property Return for the year (12.95%) did not meet that of its benchmark (15%).	0	0
Share in long-term real growth in Group revenue profit[1]	c. 39.0	• Revenue profit for the year (£319.6m) significantly exceeded the target, which was £251.3m (last year's threshold of £244m increased by 3% inflation). After certain adjustments, 5% of the resulting profit pool base of £63.4m (£3.17m) has been contributed to the Bonus pool. As there is no upper cap on the outperformance, the outturn exceeds the maximum shown. There is, however, an overall cap on the Group element of bonus of 130% of base.	49.7	38.2
Key business targets				
Development lettings and conditional lettings.	20.8	• The outturn is calculated on the basis that nothing is paid out until a threshold target of £27m is achieved. Achievement is calculated on a straight-line basis from threshold to the maximum target (£35.2m of development lettings) • The Group secured development lettings and conditional lettings for the year of £33.4m • The London Business Unit put in a particularly strong performance, with Retail lettings continuing to be challenging.	16.1	12.4
Revenue profit against budget.	10.4	• Revenue profit achieved in the year exceeds the upper threshold of the target .	10.4	8.0
Planning permission secured on four specific London and Retail assets.	10.4	• This was achieved for all four of the assets specified.	10.4	8.0
Achieve the disposal of three specific London and Retail assets.	10.4	• Two of the three specified assets were sold over the year. However, as all three were listed for sale, no bonus award has been given.	0	0
		TOTAL GROUP ELEMENTS	**86.6**	**66.6**
		Underpayment from 2012/13 – Last year, there was a miscalculation of the IPD Quarterly Index by IPD which resulted in an underpayment into the Group Bonus pool of £160,000. The Committee agreed that this should be deferred into the Group pool for 2013/14.	**2.5**	**1.9**
		TOTAL GROUP ELEMENTS INCLUDING UNDERPAYMENT	**89.1**	**68.5**
Executive Director individual targets				
Each Director received a number of personal targets, which included: • Defining and implementing a new Executive Committee, including the appointment of the new Managing Directors • Continuing to broaden and deepen relationships with domestic and international investors • Maximising the flexibility of the Group's funding structure • Implementing improvements to the Group's reporting.	20.0	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	 17.0 16.0	
Total	150.0	Robert Noel	**106.1**	**71.0**
		Martin Greenslade	**105.1**	**70.0**

3.3 Long-term incentive plan outturns

The table below summarises how we have assessed our performance over the period 1 April 2011 to 31 March 2014.

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. Please see table 41 for more detail on how vesting levels are determined.

The performance calculation for awards vesting in 2014 are illustrated below:

Long-term incentive plan outturns (Unaudited) Table 47

Target	Percentage of base salary (maximum)	Assessment	Outturn Percentage of maximum
Ungeared Total Property Return.	75 + 75 if maximum shares pledged.	• The Land Securities Total Property Return equalled that of the sector weighted IPD Quarterly Universe at 9.6% per annum over the three year period. Therefore, 12.5% (maximum 50%) of the total award vests.	12.5
Total Shareholder Return.	75 + 75 if maximum shares pledged.	• The Land Securities Total Shareholder Return over the three year period was 57.9%, outperforming that of the comparator group (see below) which was 45%. On a per annum basis, this equates to 4.1% and therefore this part of the award vests in full.	50.0

In total, therefore, awards made in 2011, and measured over the three year period to 31 March 2014, vested at **62.5%** of the maximum.

For awards granted in 2012, the Group's performance over the two years to 31 March 2014 would, if sustained over the three year period, result in 58% of the share awards vesting. For awards granted in 2013, performance over the one year period to 31 March 2014 would, if sustained over the second and third years of the period, result in 50% of the awards vesting.

Total Shareholder Return – comparator groups (Unaudited) Table 48

Name	1 April 2011	1 April 2012	1 April 2013	1 April 2014
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 plc (formerly Capital Shopping Centres Group plc)	✓	✓	✓	✓
Londonmetric Property Plc (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 PLC			✓	✓

3. Remuneration outcomes for Directors during the year continued

3.4 Summary of the exit arrangements for Richard Akers

Richard Akers stepped down from the Board on 31 March 2014. In consideration of Mr Akers' performance, and his contribution to the Board since 2005, the Committee determined that some 'good leaver' provisions should apply, but that Mr Akers should only be rewarded for the period of time in which he served as a Director.

As Mr Akers received his payments on 31 March 2014, when the outturns of the plans were not yet finalised, estimates were made against each element of the annual bonus based on the best information available to the Committee. For the LTIP shares and matching shares the TSR was measured under the rules of the scheme using the average share price over the 30 days to 24 March 2014. Performance against IPD was measured to 30 September 2013, the latest valuation date available.

For ease, we have summarised in the table below how each element of Mr Akers' reward package has been treated:

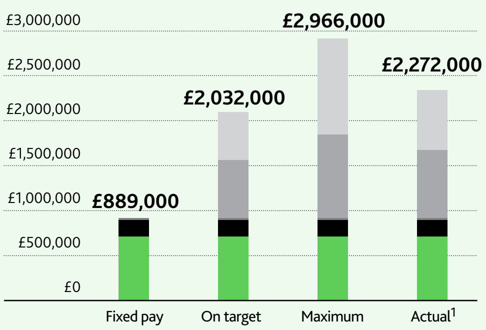
Summary of the exit arrangements for Richard Akers (Unaudited) Table 49

Element	Treatment	Cash (£)	Shares	Value (£)	Received
Base salary	Ended on 31 March 2014.	n/a	n/a	n/a	Final payment 31 March 2014
Notice pay	None given.	n/a	n/a	n/a	
Severance payment	None given.	n/a	n/a	n/a	
Annual bonus	• Awarded for the full year to 31 March 2014. • Outturns against each element estimated as follows: – TPR vs IPD – assumed 0% of base – Revenue Profit – assumed 49.5% of base – Key Business Plan targets – assumed 31% of base – Individual bonus – awarded 10% of base • **Total Bonus – 90.5% of base, all awarded in cash.**	378,345	n/a	n/a	31 March 2014
Deferred bonus shares[1]	• Awarded in full as they had been deferred from bonuses paid for past performance periods, under the rules of the bonus scheme.		91,950	944,326	31 March 2014
Long-term incentives and matching shares:[1]	• 2013 award lapsed • 2011 and 2012 awards were pro-rated for the portion of the performance period worked.				31 March 2014
2011 LTIP	• 100% award given at 77.4% of max vesting.		35,543	365,027	
2011 SMP	• 100% award given at 77.4% of max vesting.		36,575	375,625	
2012 LTIP	• 66.67% award given at 90.6% of max vesting.		47,798	490,885	
2012 SMP	• 66.67% award given at 90.6% of max vesting.		47,554	488,379	
		Total	**167,470**	**1,719,916**	
Total (£)		**378, 345**	**259,420**	**2,664,242**	**3,042,587**

1 Value of shares calculated using a price of £10.27 – the actual price at the time of vesting.

3.5 Individual outcomes by Director

Robert Noel Chart 50
Chief Executive



- Basic salary (30.5%)
- Pension (7.6%)
- Benefits (1.0%)
- Annual bonus (32.4%)
- Long-term incentives (28.5%)

1. Percentages are of the actual.

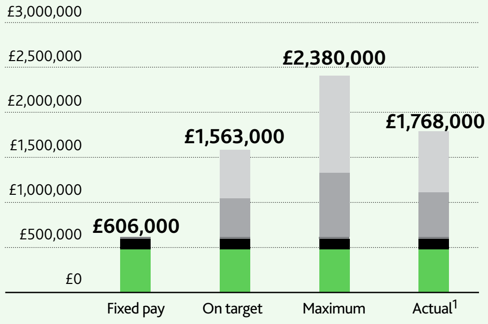
(Unaudited) Table 51

Element of pay	Maximum potential (£000)	Percentage of maximum achieved %	Outturn (£000)
Base salary	694	n/a	694
Pension	173	n/a	173
Benefits	22	n/a	22
Annual bonus[1]			
– Group element	902	68.5	618
– Individual element	139	85.0	118
Long-term incentive plan	1,036	62.5	647
Total	**2,966**		**2,272**

1. £347,000 of Robert Noel's annual bonus will be deferred into shares for one year, and £42,000 for two years.

Martin Greenslade
Chief Financial Officer

Chart 52



- Basic salary (26.5%)
- Pension (6.6%)
- Benefits (1.1%)
- Annual bonus (27.9%)
- Long-term incentives (37.8%)

1. Percentages are of the actual.

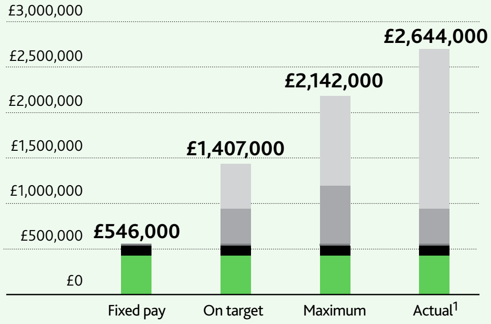
(Unaudited) Table 53

Element of pay	Maximum potential (£000)	Percentage of maximum achieved	Outturn (£000)
Base salary	469	n/a	469
Pension	117	n/a	117
Benefits	20	n/a	20
Annual bonus[1]			
– Group element	610	68.5	418
– Individual element	94	80.0	75
Long-term incentive plan	1,070	62.5	669
Total	**2,380**		**1,768**

1. £235,000 of Martin Greenslade's annual bonus will be deferred into shares for one year, and £23,000 for two years.

Richard Akers
Executive Director

Chart 54



- Basic salary (15.8%)
- Pension (4.0%)
- Benefits (0.9%)
- Annual bonus (14.3%)
- Long-term incentives (65.1%)

1. Percentages are of the actual.

(Unaudited) Table 55

Element of pay	Maximum potential (£000)	Percentage of maximum achieved %	Outturn[2] (£000)
Base salary	418	n/a	418
Pension	105	n/a	105
Benefits	23	n/a	23
Annual bonus[1]			
– Group element	543	62.1	337
– Individual element	84	48.8	41
Long-term incentive plan[2]	969		1,720
Total	2,142		**2,644**

1. Richard Akers' annual bonus was paid in cash.
2. Richard Akers' actual outturn exceeds the maximum as his 2012 LTIP award vested early on a pro rata basis (see section 3.4).

Richard Akers became a non-executive director of Barratt Developments PLC in April 2012. In keeping with the Company's policy, the Nominations Committee permitted him to retain his Director's fees of £58,000 per annum.

3.6 Richard Akers' defined benefit pension arrangement

Defined benefit pension scheme (Audited) Table 56

	Accrued benefit at 31 March 2014 (£)	Accrued benefit at 31 March 2013 (£)	Increase in accrued benefits excluding inflation (£)	Increase in accrued benefits including inflation (£)	Contributions payable by the Company (£)	Capital value relating to increase in accrued pension, less Director's own contributions (£)
Richard Akers	38,458	37,752	–	706	–	–

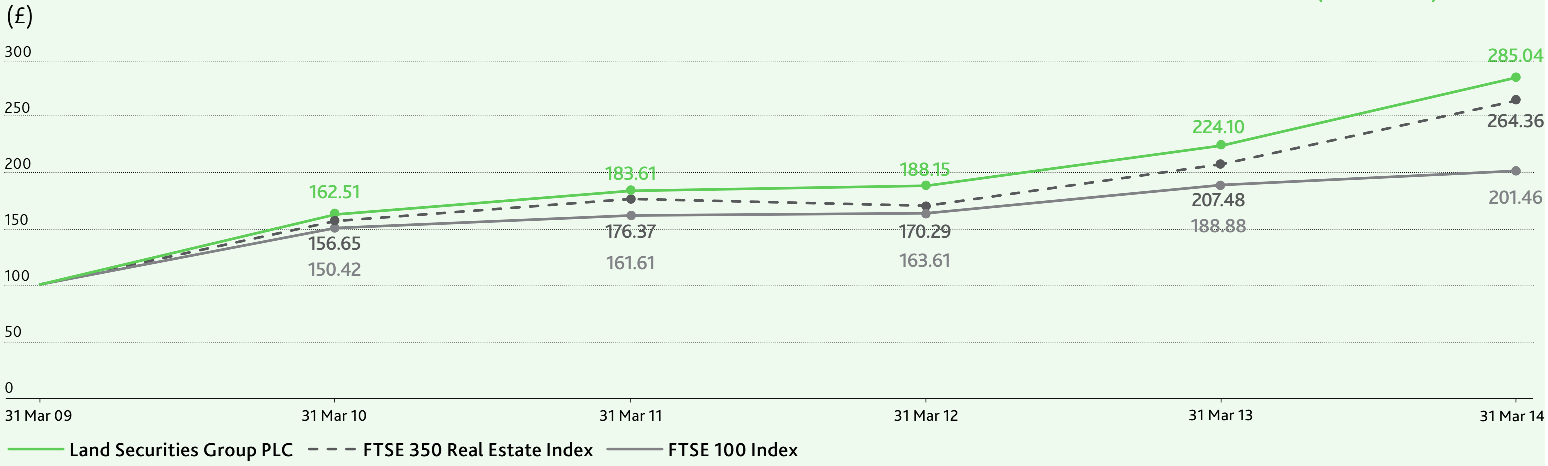
Richard Akers opted out of the Scheme on 31 March 2012 and has a deferred benefit which is linked to inflation. He does not earn future pension accrual.
There were no contributions from the Director.
Information reported in line with schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013.

4. Comparison of CEO pay to Total Shareholder Return

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.

Adjacent to this chart is a table showing how the 'single number' of remuneration for the Chief Executive has moved over the same period. It should be noted that Robert Noel became Chief Executive in March 2012, succeeding Francis Salway.

Total Shareholder Return (Unaudited) Chart 57



This graph shows the value, by 31 March 2014, of £100 invested in Land Securities Group PLC on 31 March 2009 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

CEO remuneration over five years (Unaudited) Table 58

Year	Chief Executive Officer	Single figure of total remuneration (£000)	Annual bonus award against maximum opportunity[1] (%)	Long-term incentive vesting against amount awarded (%)
2014	Robert Noel	2,272	71.0	62.5
2013	Robert Noel	2,678	86.0	76.1
2012	Francis Salway	2,769	24.0	85.9
2011	Francis Salway	1,798	39.0	27.5
2010	Francis Salway	1,694	34.0	50.0

1. Under the policy covering the years 2010–2012 shown in the table, bonus arrangements for Executive Directors comprised three elements: an Annual Bonus with a maximum potential of 100% of basic salary, a Discretionary Bonus with a maximum potential of 50% of basic salary and an Additional Bonus with a maximum potential of 200% of salary. The first two elements are subject to an overall aggregate cap of 130% of basic salary, with the overall amount of the three elements capped at 300% of basic salary.

2012: 73.4% of the maximum opportunity was awarded under the Annual Bonus with no awards made under the Discretionary Bonus or Additional Bonus.
2011: 94.5% of the maximum opportunity was awarded under the Annual Bonus, Discretionary Bonus of 60% of the maximum opportunity with no awards made under the Additional Bonus.
2010: 77% of the maximum opportunity was awarded under the Annual Bonus, Discretionary Bonus of 50% of the maximum opportunity with no awards made under the Additional Bonus.

5. The context of pay in Land Securities

5.1 Pay across the Group

a. Senior Managers

During the year under review, bonuses (including discretionary bonuses) for our 15 most senior employees ranged from 43% to 102% of salary (2013: 60% to 103%). The average bonus is 71% of salary (2013: 86%). The long-term incentive plan awards made to Senior Managers vested on the same basis as the awards made to Executive Directors.

b. All other employees

The average pay increase for all employees, including the Executive Directors, was 2.5%. Including salary adjustments and promotions for employees below the Board, this rose to 3.0%. The ratio of the salary of the Chief Executive to the average salary across the Group (excluding Directors) was 14:1 (£694,000:£50,000).

(Unaudited) Table 59

% Change	Salary %	Benefits	Bonus %
CEO	+2.5	No change	(17)
'Average' employee	+2.5	No change	(8)

5.2 The relative importance of spend on pay

The chart below shows the total spend on pay for all Land Securities employees, when compared with our returns to shareholders in the form of dividends:

(Unaudited) Table 60

Metric	March 2013 (£m)	March 2014 (£m)	% Change
Spend on pay[1]	50.7	50.5*	(0.4)
Dividend[2]	228.8	236.5	3.4

1. Including base salaries for all employees, bonus and share awards at face value.
2. See Notes to the Financial Statements.

6. 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 1,031,952 shares at 31 March 2014.

The exercise of share options under the Group's Sharesave Scheme, which is open to all employees who have completed one month's service with the Group, is satisfied by the allotment of newly issued shares. At 31 March 2014, the total number of shares which could be allotted under this scheme was 430,883 shares, which represent significantly less than 1% of the issued share capital of the Company.

7. Remuneration Committee meetings

The Committee met four times over the course of the year, and all of the members attended all meetings. Simon Palley chaired the Committee, and the other members are Dame Alison Carnwath, Chris Bartram and Edward Bonham Carter who joined the Committee in March 2014. David Rough stood down from the Committee in May 2013. The Committee meetings were also attended by the Group Chief Executive, the Group Human Resources Director, and the Group General Counsel and Company Secretary who acted as the Committee's Secretary.

Over the course of the year, the Committee 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 Group HR Director. New Bridge Street has voluntarily signed up to the Remuneration Consultants Group Code of Conduct. The Committee is satisfied that the advice it receives is independent and objective. Aside from some support in benchmarking roles below the Board for pay review purposes, New Bridge Street has no other connection with the Group. For the financial year under review, New Bridge Street received fees of £43,000 in connection with its work for the Committee.

8. Results of the vote on the Remuneration Report at the Land Securities AGM for 2013

The votes cast on the resolution seeking approval for the Directors' Remuneration Report at our 2013 AGM were as follows:

Resolution	% of votes For	% of votes Against	Number of votes withheld
To approve the Policy Report forming the first part of the Directors' Remuneration Report for the year ended 31 March 2013	98.03	1.97	1,229,688
To approve the Implementation Report forming the second and final part of the Directors' Remuneration Report for the year ended 31 March 2013	98.02	1.98	1,247,473

The Remuneration Report was approved by the Board of Directors on 14 May 2014 and signed on its behalf by:

Simon Palley
Chairman of Remuneration Committee

REPORT OF THE DIRECTORS – ADDITIONAL DISCLOSURES

In accordance with the UK Companies Act 2006 the following items have been included in other sections of the Annual Report:

- The Directors of the Company during the financial year can be found in the the Governance report table on page 46
- The amount of final dividend that the Directors recommend should be paid to shareholders on 22 July 2014 can be found in the 'Financial review' on page 26
- Details of financial instruments including the financial risk management objectives and policies of the Group can be found in the 'Financial Review' on pages 24 to 27 and 'Our principal risks and how we manage them' on pages 32 to 35. Details of the Group's exposure to credit risk, market risk and liquidity risk can be found in note 27
- Future developments in the business, specifically the outlook for the Company, can be found in the 'Chief Executive's statement' on page 8
- Information on our people and culture including employee involvement can be found on pages 36–37
- Directors' interests in shares at 31 March 2014 and any changes thereafter can be found in table 42 of the 'Directors' Remuneration report' on page 69
- Information in the Strategic Report on pages 8 to 38 constitute a fair review of the business required under the Companies Act 2006. The 'Governance' section on pages 39 to 76 is included in this Directors' Report by reference.

Mandatory carbon reporting framework

Disclosures concerning greenhouse gas emissions became mandatory under the Companies Act 2006 in the current financial year. As well as fulfilling these mandatory carbon reporting requirements, we are committed to European Public Real Estate Association (EPRA) Best Practice Recommendations for Sustainability reporting, and we also make further disclosures recommended by DEFRA Environmental Reporting Guidance 2013 and the Greenhouse Gas Protocol.

We report our data using an operational control approach to define our organisational boundary. A detailed description of our methodology can be found in our Corporate Responsibility report on our website www.landsecurities.com/responsibility.

Absolute performance

In order to fulfil Companies Act mandatory carbon reporting requirements we report our absolute emissions and their intensity based on floor area for scope 1 and 2 emissions. We also voluntarily report those scope 3 emissions which are material to our business and can be reliably measured.

Scope 1 and 2 mandatory reporting Table 61

	2014	2013
Emissions		
Scope 1 tCO_2e	**12,524**	11,380
Scope 2 tCO_2e	**52,985**	56,816
	65,509	68,196
Intensity		
Scope 1 and 2 tCO_2e/m^2	**0.026**	0.027

Scope 3 voluntary reporting

	2014	2013
Emissions		
Scope 3 tCO_2e	**65,016**	67,293
Intensity		
Scope 3 tCO_2e/m^2	**0.026**	0.027

As illustrated above, total scope 1 and 2 $_tCO_2e$ emissions have fallen by 4% since the prior year due to changes in the size and composition of our total property portfolio. Similarly, the intensity of scope 1 and 2 emissions has fallen marginally.

Scope 3 emissions have reduced by 3%. Most of this reduction is within our leased assets and is due to changes in the portfolio mix.

For a detailed breakdown of absolute emissions across the portfolio and conversion factors used see www.landsecurities.com/annualreport2014.

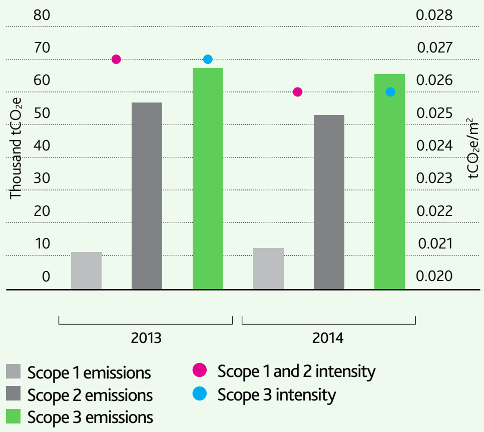
Whilst we are obliged to report on absolute emissions by scope, as above, we believe our performance is best understood by monitoring the performance of our like-for-like portfolio against EPRA performance indicators, which are tailored for relevance to our industry (refer to pages 142–143).

We have restated both our 2011 baseline and 2013 year figures in response to recommendations from our external assurance assessors and from an improved measurement methodology we have put in place over the last 12 months. There has been further segregation of the portfolio to align with our financial reporting that was not previously employed. Gross internal areas have been used for measuring purposes, as opposed to the net lettable area measurements used in prior years, to bring our reporting in line with EPRA best practice guidelines. There were also material changes to the conversion factors provided by DEFRA which have been applied for both reporting years.

Equal opportunities

Land Securities is an equal opportunities employer. It complies with equal opportunities legislation in the UK. The Company's objective is to ensure that no employee or other worker or job applicant receives less favourable treatment, directly or indirectly, on the grounds of age, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation, or disability.

Scope 1, 2 and 3 emissions and intensity across the absolute portfolio in 2013 and 2014 Chart 62



Land Securities recognises that it has clear obligations towards all its employees and the community at large to ensure that people with disabilities are afforded equal opportunities to enter employment and progress within the Company. Therefore, the Company has established procedures designed to provide fair consideration and selection of disabled applicants and to satisfy their training and career development needs. If an employee becomes disabled, wherever possible, Land Securities takes steps to accommodate the employee's disability by making adjustments to their existing employment, or by redeployment and providing appropriate re-training to enable continued employment with the Company.

Share capital

At the Company's last Annual General Meeting (AGM), held on 18 July 2013, 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 2014 AGM and a renewal will be sought.

During the year the Company did not purchase any of its ordinary shares, therefore the number of ordinary shares in treasury it holds remains as 10,495,131.

As at 31 March 2014 there were 1,031,952 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 in relation to certain employee share awards and the Company's scrip dividend facility and for no other purpose. Resolutions to renew these authorities will be proposed at the 2014 AGM. The Company has no restrictions on the transfer of its shares.

Substantial shareholders

At 7 May 2014 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 Table 63

Shareholder name	Number of shares	% holding
BlackRock, Inc.	61,644,672	7.80
Norges Bank	43,520,668	5.51
APG Asset Management N.V.	30,141,542	3.81

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 the auditor

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 auditor. 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 auditor. Ernst & Young LLP have confirmed that they are willing to be re-appointed as auditor and a resolution to re-appoint them will be proposed at the 2014 AGM.

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.

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.

The Report of the Directors was approved by the Board of Directors on 14 May 2014 and signed on its behalf by:

Adrian de Souza
Group General Counsel and Company Secretary
Land Securities Group PLC
Company No. 4369054

FINANCIAL STATEMENTS

INCOME STATEMENT

Earnings per share, Group revenue, costs and other important financial information.

For more information go to: page 83

BALANCE SHEETS

The Group's balance sheets at 31 March 2014.

For more information go to: page 85

NOTES

Accounting policies, segmental information and other helpful guidance.

For more information go to: pages 89–132

Financial statements
Our primary financial statements and supporting notes.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual 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 as adopted by the European Union (IFRSs). 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 the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state that the Group and Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance; and
- prepare the Group's and Company's financial statements on a going concern basis, unless it is inappropriate to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the Annual Report and the financial statements 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement under the Disclosure and Transparency Rules

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, 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 Company financial statements prepared in accordance with IFRSs give a true and fair view of the assets, liabilities, financial position, performance and cash flows of the Company; and
- to the best of their knowledge, the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties faced by the Group and the Company.

Directors' statement under the UK Corporate Governance Code

Each of the Directors confirm that:

- to the best of their knowledge, the Annual Report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

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:

Dame Alison Carnwath, Chairman*
Robert Noel, Chief Executive
Martin Greenslade, Chief Financial Officer
Kevin O'Byrne, Senior Independent Director*
David Rough*
Chris Bartram*
Simon Palley*
Stacey Rauch*
Edward Bonham Carter*
Cressida Hogg*

*Non-executive Directors

The Statement of Directors' Responsibilities was approved by the Board of Directors on 14 May 2014 and signed on its behalf by:

Adrian de Souza
Group General Counsel and Company Secretary

INDEPENDENT AUDITOR'S 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 2014 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes 1 to 41. 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.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 80, 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.

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 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 2014 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of the Group's profit 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.

Our assessment of risks of material misstatement

We identified the following risks that have had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- the valuation of the investment property portfolio;
- revenue recognition; and
- the risk of management override of internal controls.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £50m, which is approximately 0.5% of investment properties, and below 1% of equity. We determined that investment property would be the most appropriate basis for determining overall materiality given that the Group's investment property balance accounts for around 81% of the Group's total assets. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group should be 50% of materiality.

We have determined that for other account balances not related to investment properties a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. We have determined that materiality for these areas should be based upon profit before tax, excluding the impact of the net surplus on revaluation of investment properties ('Adjusted PBT'). This lower level of materiality is £18m, which is approximately 5% of Adjusted PBT. We set performance materiality for these balances at 50% of this lower level of materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.5m, as well as audit differences in excess of £0.9m that relate to our specific testing of the other account balances not related to investment properties. We also agreed to report differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group solely operates in the United Kingdom and operates through two segments, London and Retail, both of which were subject to the same audit scope. The Group audit team performed all of the work necessary to issue the Group and Parent Company audit opinion.

The way in which we scoped our response to the risks identified above was as follows:

The valuation of the investment property portfolio

- We evaluated and tested the Group's controls over data used in the valuation of the investment property portfolio.
- We performed testing over data provided by the Group to the external valuers, including lease data.
- We include Chartered Surveyors on our team who consider the external valuers' qualifications and meet with the external valuers to assess and challenge the valuation approach and assumptions.
- We met with project managers and performed site visits on major properties under development and assessed project costs and challenged the forecast costs to complete included in the valuations.
- We conducted analytical procedures by reference to external market data to evaluate the appropriateness of the valuations adopted by the Group and investigated further the valuations of those properties which were not in line with our expectations.

INDEPENDENT AUDITOR'S REPORT

to the members of Land Securities Group PLC continued

Revenue recognition

- We carried out testing relating to controls over revenue recognition, the treatment of rents, incentives and other property related income.
- We performed substantive testing and analytical procedures in connection to revenue balances to assess whether revenue had been recognised in the appropriate accounting period.
- We assessed whether the revenue recognition policies adopted complied with IFRSs as adopted by the European Union.

The risk of management override of internal controls

- The procedures described above addressed the risk of management override in respect of the valuation of the investment property portfolio and revenue recognition.
- We performed analytical procedures and journal entry testing in order to identify and test the risk of fraud arising from management override of internal controls.

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 Strategic Report and 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 International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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 return, 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 80, in relation to going concern; and
- the part 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.

Eamonn McGrath

Eamonn McGrath (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
14 May 2014

INCOME STATEMENT

for the year ended 31 March 2014

	Notes	Year ended 31 March 2014 Revenue profit £m	Capital and other items £m	Total £m	Year ended 31 March 2013 Revenue profit £m	Capital and other items £m	Total £m
Revenue	5	693.4	23.1	716.5	625.5	111.1	736.6
Costs	6	(240.5)	(12.8)	(253.3)	(220.0)	(70.7)	(290.7)
		452.9	10.3	463.2	405.5	40.4	445.9
Profit/(loss) on disposal of investment properties		–	15.6	15.6	–	(3.1)	(3.1)
Profit on disposal of investments in joint ventures		–	2.5	2.5	–	–	–
Net surplus on revaluation of investment properties	15	–	606.6	606.6	–	196.7	196.7
Release of impairment of trading properties	17	–	5.3	5.3	–	7.1	7.1
Profit on disposal of other investments		–	–	–	–	1.6	1.6
Operating profit		452.9	640.3	1,093.2	405.5	242.7	648.2
Interest income	9	25.2	12.5	37.7	24.7	–	24.7
Interest expense	9	(193.2)	(23.7)	(216.9)	(173.9)	(21.5)	(195.4)
Revaluation of redemption liabilities	33	–	(5.6)	(5.6)	–	(4.5)	(4.5)
Net gain on business combination	41	–	5.0	5.0	–	1.4	1.4
Share of post-tax profit from joint ventures	16	34.7	160.8	195.5	34.4	24.2	58.6
Profit before tax		319.6	789.3	1,108.9	290.7	242.3	533.0
Taxation	13	–	7.7	7.7	–	–	–
Profit for the financial year attributable to owners of the Parent		319.6	797.0	1,116.6	290.7	242.3	533.0

Earnings per share attributable to owners of the Parent (pence):	Notes	2014	2013
Basic earnings per share	11	142.3	68.4
Diluted earnings per share	11	141.8	68.1

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Notes	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Profit for the financial year attributable to owners of the Parent		**1,116.6**	533.0
Items that may be subsequently reclassified to the income statement:			
Share of joint ventures' fair value movements on interest-rate swaps treated as cash flow hedges	16	**3.5**	(0.9)
Revaluation of other investments	41	**–**	2.3
Recycling of revaluation of other investments to the income statement	41	**–**	(2.3)
Items that will not be subsequently reclassified to the income statement:			
Re-measurement (losses)/gains on defined benefit pension scheme	34	**(7.8)**	3.9
Other comprehensive (expense)/income for the financial year		**(4.3)**	3.0
Total comprehensive income for the financial year attributable to owners of the Parent		**1,112.3**	536.0

BALANCE SHEETS

at 31 March 2014

	Notes	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Non-current assets					
Investment properties	15	**9,847.7**	9,651.9	**–**	–
Other property, plant and equipment	20	**7.3**	8.3	**–**	–
Net investment in finance leases	19	**186.9**	188.0	**–**	–
Loan investments	31	**50.0**	50.0	**–**	–
Investments in joint ventures	16	**1,443.3**	1,301.0	**–**	–
Investments in subsidiary undertakings	32	**–**	–	**6,186.2**	6,180.7
Trade and other receivables	28	**34.3**	10.6	**–**	–
Derivative financial instruments	25	**5.3**	–	**–**	–
Pension surplus	34	**2.3**	5.9	**–**	–
Total non-current assets		**11,577.1**	11,215.7	**6,186.2**	6,180.7
Current assets					
Trading properties and long-term development contracts	17	**192.9**	152.8	**–**	–
Trade and other receivables	28	**366.3**	344.8	**14.2**	21.8
Monies held in restricted accounts and deposits	23	**14.5**	30.9	**–**	–
Cash and cash equivalents	24	**20.9**	41.7	**0.1**	0.1
Total current assets		**594.6**	570.2	**14.3**	21.9
Total assets		**12,171.7**	11,785.9	**6,200.5**	6,202.6
Current liabilities					
Borrowings	22	**(513.2)**	(436.2)	**–**	–
Trade and other payables	29	**(319.5)**	(364.3)	**(823.7)**	(609.3)
Provisions	30	**(3.6)**	(7.0)	**–**	–
Derivative financial instruments	25	**(5.5)**	(9.1)	**–**	–
Current tax liabilities		**(2.9)**	(21.2)	**–**	–
Total current liabilities		**(844.7)**	(837.8)	**(823.7)**	(609.3)
Non-current liabilities					
Borrowings	22	**(2,849.0)**	(3,315.2)	**–**	–
Trade and other payables	29	**(23.6)**	(17.4)	**–**	–
Derivative financial instruments	25	**(3.5)**	(10.7)	**–**	–
Redemption liabilities	33	**(32.6)**	(118.1)	**–**	–
Total non-current liabilities		**(2,908.7)**	(3,461.4)	**–**	–
Total liabilities		**(3,753.4)**	(4,299.2)	**(823.7)**	(609.3)
Net assets		**8,418.3**	7,486.7	**5,376.8**	5,593.3
Equity					
Capital and reserves attributable to the owners of the Parent					
Ordinary shares	36	**79.9**	79.2	**79.9**	79.2
Share premium		**788.3**	787.6	**788.3**	787.6
Capital redemption reserve		**30.5**	30.5	**30.5**	30.5
Merger reserve		**–**	–	**373.6**	373.6
Share-based payments		**6.3**	6.8	**6.3**	6.8
Retained earnings		**7,522.5**	6,590.3	**4,098.2**	4,315.6
Own shares	37	**(9.2)**	(7.7)	**–**	–
Total equity		**8,418.3**	7,486.7	**5,376.8**	5,593.3

The financial statements on pages 83 to 132 were approved by the Board of Directors on 14 May 2014 and were signed on its behalf by:

R M Noel **M F Greenslade**
Directors

STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Parent								
Group	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Share-based payments £m	Retained earnings £m	Own shares £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 April 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:									
Re-measurement 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
Dividends to owners of the Parent	0.6	–	–	–	(178.1)	–	(177.5)	–	(177.5)
Fair value of share-based payments	–	–	–	2.9	–	–	2.9	–	2.9
Release on exercise of share options	–	–	–	(2.9)	2.9	–	–	–	–
Transfer to redemption liabilities	–	–	–	–	–	–	–	(0.2)	(0.2)
Settlement and transfer of shares to employees on exercise of share options net of proceeds	–	–	–	–	(7.3)	10.6	3.3	–	3.3
Purchase of own shares and treasury shares	–	–	–	–	(34.4)	(0.5)	(34.9)	–	(34.9)
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
Profit for the year ended 31 March 2014	**–**	**–**	**–**	**–**	**1,116.6**	**–**	**1,116.6**	**–**	**1,116.6**
Other comprehensive income:									
Re-measurement losses on pension scheme	**–**	**–**	**–**	**–**	**(7.8)**	**–**	**(7.8)**	**–**	**(7.8)**
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	**–**	**–**	**–**	**–**	**3.5**	**–**	**3.5**	**–**	**3.5**
Total comprehensive income for the year ended 31 March 2014	**–**	**–**	**–**	**–**	**1,112.3**	**–**	**1,112.3**	**–**	**1,112.3**
Transactions with owners:									
Exercise of options	**–**	**1.4**	**–**	**–**	**–**	**–**	**1.4**	**–**	**1.4**
Dividends to owners of the Parent	**0.7**	**(0.7)**	**–**	**–**	**(175.4)**	**–**	**(175.4)**	**–**	**(175.4)**
Fair value of share-based payments	**–**	**–**	**–**	**5.5**	**–**	**–**	**5.5**	**–**	**5.5**
Release on exercise of share options	**–**	**–**	**–**	**(6.0)**	**6.0**	**–**	**–**	**–**	**–**
Settlement and transfer of shares to employees on exercise of share options net of proceeds	**–**	**–**	**–**	**–**	**(10.3)**	**14.8**	**4.5**	**–**	**4.5**
Purchase of own shares and treasury shares	**–**	**–**	**–**	**–**	**(0.4)**	**(16.3)**	**(16.7)**	**–**	**(16.7)**
Total transactions with owners of the Parent	**0.7**	**0.7**	**–**	**(0.5)**	**(180.1)**	**(1.5)**	**(180.7)**	**–**	**(180.7)**
At 31 March 2014	**79.9**	**788.3**	**30.5**	**6.3**	**7,522.5**	**(9.2)**	**8,418.3**	**–**	**8,418.3**

STATEMENT OF CHANGES IN EQUITY

Company	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments £m	Retained earnings £m	Total £m
At 1 April 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
Dividends paid to owners	0.6	–	–	–	–	(178.1)	(177.5)
Fair value of share-based payments	–	–	–	–	2.9	–	2.9
Purchase of treasury shares	–	–	–	–	–	(34.4)	(34.4)
Release on exercise of share options	–	–	–	–	(2.9)	2.9	–
At 31 March 2013	79.2	787.6	30.5	373.6	6.8	4,315.6	5,593.3
Loss for the year ended 31 March 2014	**–**	**–**	**–**	**–**	**–**	**(47.7)**	**(47.7)**
Exercise of options	**–**	**1.4**	**–**	**–**	**–**	**–**	**1.4**
Dividends paid to owners	**0.7**	**(0.7)**	**–**	**–**	**–**	**(175.4)**	**(175.4)**
Fair value of share-based payments	**–**	**–**	**–**	**–**	**5.5**	**–**	**5.5**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Release on exercise of share options	**–**	**–**	**–**	**–**	**(6.0)**	**6.0**	**–**
At 31 March 2014	**79.9**	**788.3**	**30.5**	**373.6**	**6.3**	**4,098.2**	**5,376.8**

STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

		Group		Company	
	Notes	2014 £m	2013 £m	2014 £m	2013 £m
Cash flows from operating activities					
Net cash generated from operations	14	**430.6**	345.0	**–**	–
Interest received		**9.1**	10.3	**–**	–
Interest paid		**(251.4)**	(175.6)	**–**	–
Employer contributions to defined benefit pension scheme		**(4.8)**	(4.7)	**–**	–
Acquisition of trading properties		**–**	(7.2)	**–**	–
Capital expenditure on trading properties		**(32.7)**	(25.4)	**–**	–
Disposal of trading properties		**21.7**	104.4	**–**	–
Corporation tax paid		**(13.9)**	(0.1)	**–**	–
Net cash inflow from operating activities		**158.6**	246.7	**–**	–
Cash flows from investing activities					
Investment property development expenditure		**(86.6)**	(208.8)	**–**	–
Acquisition of investment properties and other investments		**(3.7)**	(243.9)	**–**	–
Acquisition of subsidiary undertaking (net of cash acquired)	41	**–**	(86.8)	**–**	–
Other investment property related expenditure		**(135.5)**	(66.2)	**–**	–
Disposal of investment properties		**679.1**	509.9	**–**	–
Expenditure on non-property related non-current assets		**(1.6)**	(2.0)	**–**	–
Disposal of other investments		**–**	3.0	**–**	–
Loans repaid by third parties		**–**	0.8	**–**	–
Disposal of joint ventures		**142.8**	–	**–**	–
Cash contributed to joint ventures	16	**(4.7)**	(3.9)	**–**	–
Loan advances to joint ventures	16	**(117.1)**	(159.1)	**–**	–
Loan repayments by joint ventures	16	**10.9**	12.8	**–**	–
Distributions from joint ventures	16	**27.4**	30.6	**–**	–
Net cash inflow/(outflow) from investing activities		**511.0**	(213.6)	**–**	–
Cash flows from financing activities					
Cash received on issue of shares arising from exercise of share options		**6.0**	4.7	**–**	–
Purchase of own shares and treasury shares		**(16.0)**	(34.9)	**–**	–
Increase in investment in subsidiary undertaking (X-Leisure)		**(119.7)**	–	**–**	–
Proceeds from new loans (net of finance fees)		**496.9**	200.6	**–**	–
Repayment of loans	22	**(911.3)**	(10.9)	**–**	(0.1)
Recapitalisation of non-wholly owned subsidiary	33	**15.0**	–	**–**	–
Decrease/(increase) in monies held in restricted accounts and deposits	23	**16.4**	(1.4)	**–**	–
Decrease in finance leases payable		**(0.1)**	(0.1)	**–**	–
Dividends paid to owners of the Parent	12	**(175.6)**	(178.3)	**–**	–
Distributions paid by non-wholly owned subsidiaries	33	**(2.0)**	(0.8)	**–**	–
Net cash outflow from financing activities		**(690.4)**	(21.1)	**–**	(0.1)
(Decrease)/increase in cash and cash equivalents for the year		**(20.8)**	12.0	**–**	(0.1)
Cash and cash equivalents at the beginning of the year		**41.7**	29.7	**0.1**	0.2
Cash and cash equivalents at the end of the year	24	**20.9**	41.7	**0.1**	0.1

The Company cash flow statement excludes transactions, including the payment of dividends, which are settled on the Company's behalf by other Group undertakings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

Section 1 – General

This section contains a description of the Group's significant accounting policies that relate to the financial statements as a whole. A description of accounting policies specific to individual areas (e.g. investment properties) is included within the relevant note to the financial statements.

This section also includes a summary of new European Union (EU) endorsed accounting standards, amendments and interpretations that have not yet been adopted, and their expected impact on the reported results of the Group.

1. Basis of preparation and consolidation

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 EU (IFRSs), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. 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 investment property, available-for-sale investments and derivative financial instruments.

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 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 loss for the year of the Company, dealt with in its financial statements, was **£47.7m** (2013: a profit of £298.5m). 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. The capital redemption reserve represents the nominal value of cancelled shares.

Basis of consolidation

The consolidated financial statements for the year ended 31 March 2014 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.

2. Critical accounting judgements and key estimations of uncertainty

The preparation of financial statements in conformity with IFRSs requires management to exercise its judgement in the process of applying the Group's accounting policies. Critical accounting judgements are disclosed in the relevant note to the financial statements. The areas where the Group considers the judgements to be most significant involve assumptions or estimates in respect of future events, where actual results may differ from these estimates. These areas are as follows:

- Compliance with the Real Estate Investment Trust (REIT) taxation regime (note 13)
- Investment property valuations (note 15)
- Trading property valuations (note 17)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

3. Amendments to IFRSs not yet applicable

The accounting policies are consistent with those applied in the year ended 31 March 2013, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2014.

The following accounting standards or interpretations were adopted for the year ended 31 March 2014 but have not had a material impact on the Group:

- IAS 1 (amendment) 'Presentation of Financial Statements'
- IAS 12 (amendment) 'Income Tax'
- IAS 19 (revised) 'Employee Benefits'
- IFRS 7 (amendment) 'Financial Instruments: Disclosures' (offsetting requirement and converged disclosure)
- IFRS 13 'Fair Value Measurement'

Below are details of accounting standards and interpretations which have been issued but are not yet effective, or have not yet been endorsed by the EU, which may be relevant to the Group. 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.

Issued, not yet effective and not yet endorsed for use in the EU:

- IFRS 9 'Financial Instruments'

Issued and endorsed for use in the EU, but not yet effective:

- IAS 36 (amendment) 'Impairment of Assets'
- IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement'
- IFRS 10 'Consolidated Financial Statements' IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 28 (revised) 'Associates and Joint Ventures'
- IAS 32 (amendment) 'Financial instruments: Presentation' (assets and liability offsetting)
- Amendments to IFRS 10, IFRS 11, IFRS 12 (transition guidance)

Section 2 – Performance

This section focuses on the performance of the Group for the year, including segmental information, earnings per share and net assets per share, together with further details on specific components of the income statement and dividends paid.

The Group income statement is presented in a columnar format, split into those items that relate to revenue profit and capital and other items. The total column represents the Group's results presented in accordance with IFRSs. The year ended 31 March 2014 is the first period for which the Group has presented the income statement in this way. The change in presentation is intended to reflect the way in which the Group's senior management review the results of the business and to aid reconciliation to the segmental reporting.

A number of the financial measures used by the Group to measure performance include the results of subsidiaries and joint ventures on a proportionate basis. Measures that are described as being on a proportionate basis include the Group's share of joint ventures on a line-by-line basis and are adjusted to exclude the non-owned elements of our subsidiaries. This is in contrast to the Group's statutory financial statements, where the Group's interest in joint ventures is presented as one line on the income statement and balance sheet and all subsidiaries are consolidated at 100% with any non-owned element being adjusted as a redemption liability. Measures described as being prepared on a proportionate basis are non-GAAP measures and therefore not presented in accordance with IFRSs.

Revenue profit is the Group's measure of underlying pre-tax profit, which is used by senior management to assess the Group's income performance. It excludes all items of a capital nature, such as valuation movements and profits and losses on the disposal of investment properties, as well as one-off items. A full definition of revenue profit is given in the glossary. Revenue profit is presented on a proportionate basis and is therefore a non-GAAP measure. Revenue profit is detailed in note 4.

4. Segmental information

The Group's operations are organised into two operating segments, being the Retail Portfolio and the London Portfolio. The London Portfolio includes all our London offices and central London shops and the Retail Portfolio includes all our shopping centres and shops, hotels and leisure assets, and retail warehouse properties, excluding central London shops. All of the Group's operations are in the UK.

Management has determined the Group's operating segments based on the information reviewed by senior management to make strategic decisions. During the year, the chief operating decision maker was the Senior Management Board ('SMB'), which consisted of the Executive Directors with the Group General Counsel and Company Secretary in attendance. From 1 April 2014, the SMB was renamed the Executive Committee ('ExecCom'). ExecCom comprises the Executive Directors, the managing directors of the Retail and London business units, the Group General Counsel and Company Secretary, and the Group HR Director. The information presented to the SMB and the ExecCom includes reports from all functions of the business as well as strategy, financial planning, succession planning, organisational development and group wide policies.

The Group's primary measure of underlying profit before tax is revenue profit. However, 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. Unallocated income and expenses are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

4. Segmental information continued

Year ended 31 March 2014

Group	Retail Portfolio			London Portfolio			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	310.7	65.6	376.3	248.5	9.3	257.8	559.2	74.9	634.1
Finance lease interest	1.7	0.2	1.9	9.0	–	9.0	10.7	0.2	10.9
Gross rental income (before rents payable)	312.4	65.8	378.2	257.5	9.3	266.8	569.9	75.1	645.0
Rents payable[1]	(9.2)	(1.9)	(11.1)	(2.5)	–	(2.5)	(11.7)	(1.9)	(13.6)
Gross rental income (after rents payable)	303.2	63.9	367.1	255.0	9.3	264.3	558.2	73.2	631.4
Service charge income	46.1	9.3	55.4	38.4	0.3	38.7	84.5	9.6	94.1
Service charge expense	(48.2)	(10.6)	(58.8)	(38.4)	(0.3)	(38.7)	(86.6)	(10.9)	(97.5)
Net service charge expense	(2.1)	(1.3)	(3.4)	–	–	–	(2.1)	(1.3)	(3.4)
Other property related income	15.6	1.0	16.6	19.8	0.4	20.2	35.4	1.4	36.8
Direct property expenditure	(35.5)	(9.6)	(45.1)	(22.3)	(3.4)	(25.7)	(57.8)	(13.0)	(70.8)
Net rental income	281.2	54.0	335.2	252.5	6.3	258.8	533.7	60.3	594.0
Indirect property expenditure	(25.5)	(2.3)	(27.8)	(17.7)	(0.6)	(18.3)	(43.2)	(2.9)	(46.1)
Depreciation	(0.2)	–	(0.2)	(0.9)	–	(0.9)	(1.1)	–	(1.1)
Segment profit before interest	255.5	51.7	307.2	233.9	5.7	239.6	489.4	57.4	546.8
Joint venture net interest expense	–	(14.0)	(14.0)	–	(8.7)	(8.7)	–	(22.7)	(22.7)
Segment profit	255.5	37.7	293.2	233.9	(3.0)	230.9	489.4	34.7	524.1
Group services – other income							3.6	–	3.6
– expense							(40.1)	–	(40.1)
Interest income							25.2	–	25.2
Interest expense							(193.2)	–	(193.2)
Revenue profit							284.9	34.7	319.6

1. Included within rents payable is finance lease interest payable of **£2.0m** (2013: £1.7m) and **£0.4m** (2013: £0.4m) for the Retail and London portfolios respectively.

	Total		
Reconciliation of revenue profit to profit before tax	Group £m	Joint ventures £m	Total £m
Revenue profit	284.9	34.7	319.6
Capital and other items			
Profit on long-term development contracts	–	1.0	1.0
Profit on disposal of trading properties	1.9	0.5	2.4
Profit on disposal of investment properties	15.6	0.4	16.0
Profit on disposal of investments in joint ventures	2.5	–	2.5
Net surplus on revaluation of investment properties	608.5	155.3	763.8
Release of impairment/(impairment) of trading properties[2]	5.3	(0.3)	5.0
Fair value movement on interest-rate swaps	10.4	4.8	15.2
Amortisation of bond exchange de-recognition adjustment	(19.6)	–	(19.6)
Revaluation of redemption liabilities	(5.6)	–	(5.6)
Net gain on business combination	5.0	–	5.0
Joint venture net liabilities adjustment	–	(0.3)	(0.3)
Share of joint venture tax	–	(1.1)	(1.1)
Adjustment for proportionate share of earnings[3]	4.5	0.5	5.0
Profit before tax	913.4	195.5	1,108.9

2. Of the net release of impairment of trading properties of £5.0m, an impairment of £0.4m relates to the Retail Portfolio, and a reversal of impairment of £5.4m relates to the London Portfolio.
3. All items in the segment note are presented on a proportionate basis (see page 91). This adjustment represents the difference between profit before tax on a proportionate basis and profit before tax per the Group income statement.

4. Segmental information continued

Year ended 31 March 2013

Group	Retail Portfolio			London Portfolio			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 – other income							3.8	–	3.8
– expense							(40.3)	–	(40.3)
Interest income							24.7	–	24.7
Interest expense							(173.9)	–	(173.9)
Revenue profit							256.3	34.4	290.7

1. Included within rents payable is finance lease interest payable of £1.7m and £0.4m for the Retail and London portfolios respectively.

Reconciliation of revenue profit to profit before tax	Total Group £m	Joint ventures £m	Total £m
Revenue profit	256.3	34.4	290.7
Capital and other items			
Profit on long-term development contracts	0.1	–	0.1
Profit on disposal of trading properties	37.4	0.6	38.0
(Loss)/profit on disposal of investment properties	(3.1)	1.5	(1.6)
Net surplus on revaluation of investment properties	197.0	20.5	217.5
Release of impairment/(impairment) of trading properties[2]	7.1	(4.0)	3.1
Fair value movement on interest-rate swaps	(2.8)	4.8	2.0
Amortisation of bond exchange de-recognition adjustment	(18.1)	–	(18.1)
Profit on disposal of other investments	1.6	–	1.6
Revaluation of redemption liabilities	(4.5)	–	(4.5)
Net gain on business combination	1.4	–	1.4
Joint venture net liabilities adjustment	–	0.3	0.3
Adjustment for proportionate share of earnings[3]	2.0	0.5	2.5
Profit before tax	474.4	58.6	533.0

2. Of the net release of impairment of trading properties of £3.1m, an impairment of £0.2m relates to the Retail Portfolio, and a reversal of impairment of £3.3m relates to the London Portfolio.
3. All items in the segment note are presented on a proportionate basis (see page 91). This adjustment represents the difference between profit before tax on a proportionate basis and profit before tax per the Group income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

5. Revenue

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 charge income and other recoveries, proceeds from the sale of trading properties, finance lease interest and income arising on long-term development contracts. Rental income includes the income from managed operations such as car parks, food courts, serviced offices and flats. Service charge income includes income in relation to service charges together with any chargeable management fees.

Rental income, including fixed rental uplifts, 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 being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit-out or similar costs 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 charge income is recorded as income in the periods in which it is 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.

Proceeds received on the sale of trading properties are recognised within Revenue when the significant risks and rewards of ownership have been transferred to the buyer.

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.

All revenue is classified within the 'Revenue profit' column of the income statement, with the exception of proceeds on the sale of trading properties and income arising on long-term development contracts, which are presented in the 'Capital and other items' column. Also included in the 'Capital and other items' column is the difference between the relevant line item on a proportionate basis and the amount included in the Group income statement.

Group			2014			2013
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Rental income (excluding adjustment for lease incentives)	**526.1**	**9.5**	**535.6**	490.7	3.5	494.2
Adjustment for lease incentives	**33.1**	**0.7**	**33.8**	18.9	0.3	19.2
Rental income	**559.2**	**10.2**	**569.4**	509.6	3.8	513.4
Service charge income	**84.5**	**2.1**	**86.6**	72.0	0.9	72.9
Other property related income	**35.4**	**(0.6)**	**34.8**	29.1	(0.3)	28.8
Trading property sales proceeds	**–**	**11.2**	**11.2**	–	106.7	106.7
Finance lease interest	**10.7**	**0.2**	**10.9**	11.0	–	11.0
Other income	**3.6**	**–**	**3.6**	3.8	–	3.8
	693.4	**23.1**	**716.5**	625.5	111.1	736.6

6. Costs

Costs

Property and contract expenditure is expensed as incurred with the exception of expenditure on long-term development contracts (see note 5).

Rental payments made under an operating lease in which the Group is a lessee 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 (defined above) are charged as an expense in the periods in which they are incurred.

All costs are classified within the 'Revenue profit' column of the income statement, with the exception of the cost of sale of trading properties and costs arising on long-term development contracts, which are presented in the 'Capital and other items' column. Also included in the 'Capital and other items' column is the difference between the relevant line item on a proportionate basis and the amount included in the Group income statement.

Impairment

The carrying amounts of the Group's non-financial assets, other than investment properties, 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.

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.

Group		2014				2013
	Revenue profit £m	Capital and other items £m	Total £m	Revenue profit £m	Capital and other items £m	Total £m
Rents payable	11.7	0.1	11.8	12.5	–	12.5
Service charge expense	86.6	2.4	89.0	73.1	1.0	74.1
Direct property expenditure	57.8	0.8	58.6	57.3	0.3	57.6
Indirect property expenditure (excluding employee costs)	19.0	0.2	19.2	15.8	0.2	16.0
Employee costs	65.4	–	65.4	61.3	–	61.3
Long-term development contract expenditure	–	–	–	–	(0.1)	(0.1)
Carrying value of trading property disposals	–	9.3	9.3	–	69.3	69.3
	240.5	12.8	253.3	220.0	70.7	290.7

Group	2014 £m	2013 £m
Employee costs		
Salaries and wages	49.6	49.5
Employer payroll taxes	7.1	6.2
Other pension costs	3.2	2.7
Share-based payments (note 35)	5.5	2.9
	65.4	61.3

Group	2014 Number	2013 Number
The average monthly number of employees during the year was:		
Indirect property or contract and administration	444	433
Direct property or contract services:		
Full-time	156	144
Part-time	14	14
	614	591

The increase in the average number of employees for the year ended 31 March 2014 reflects the acquisition of X-Leisure in January 2013.

With the exception of the Executive Directors and the Group General Counsel and Company Secretary, who are employed by Land Securities Group PLC, all employees are employed by subsidiaries of the Group.

During the year, no Executive Directors had retirement benefits accruing under either the defined contribution pension scheme or the defined benefit scheme (2013: none). Information on Directors' emoluments, share options and interests in the Company's shares is given in the Directors' Remuneration Report on pages 60–76.

Details of the employee costs associated with the Group's key management personnel are included in note 39.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

7. Auditor remuneration

Group	2014 £m	2013 £m
Services provided by the Group's auditor		
Audit fees:		
Parent company and consolidated financial statements	**0.3**	0.3
Audit of subsidiary undertakings	**0.4**	0.3
Other fees:		
Audit related assurance services	**0.1**	0.1
	0.8	0.7

In the year ended 31 March 2014, Ernst & Young LLP were appointed as the Group's auditor, replacing PricewaterhouseCoopers LLP. It is the Group's policy to employ the Group's auditor 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 Chairman of the Audit Committee. In addition, Ernst & Young LLP also receives fees for statutory duties performed for some of our joint venture arrangements, of which our proportionate share was **£0.1m** (2013: £0.1m).

KPMG LLP was employed by the Group to audit X-Leisure, acquired in January 2013. The fees of **£0.1m** (2013: £nil) have been included in the 'Audit of subsidiary undertakings' total above.

8. External valuers' remuneration

Group	2014 £m	2013 £m
Services provided by the Group's external valuers		
Valuation fees:		
Year end and half-year valuations	**0.9**	0.8
Security Group valuation	**0.1**	0.1
	1.0	0.9
Other consultancy and agency services	**3.5**	4.3
	4.5	5.2

The fee payable to Knight Frank LLP (Knight Frank), 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 received fees for their duties performed for some of our joint venture arrangements, of which our proportionate share was **£0.3m** (2013: £0.1m). Jones Lang LaSalle Limited (JLL) was employed to perform the valuation of investment properties held by X-Leisure. The fees of both Knight Frank and JLL have been included in the table above. Both Knight Frank and JLL undertake some other consultancy and agency work on behalf of the Group.

Both Knight Frank and JLL have confirmed to us that the total fees paid by the Group represented less than 5% of their total revenues in each year.

9. Net interest expense

Group	2014 £m	2013 £m
Interest expense		
Bond and debenture debt	**(174.6)**	(177.3)
Bank borrowings	**(30.0)**	(18.3)
Other interest payable	**(1.0)**	(0.8)
Amortisation of bond exchange de-recognition	**(19.6)**	(18.1)
Fair value movement on interest-rate swaps	**–**	(1.6)
	(225.2)	(216.1)
Interest capitalised in relation to properties under development	**8.3**	20.7
Total interest expense	**(216.9)**	(195.4)
Interest income		
Short-term deposits	**0.1**	0.6
Interest received on loan investments	**2.3**	2.3
Other interest receivable	**1.4**	5.4
Interest receivable from joint ventures	**21.0**	15.6
Net pension interest	**0.4**	0.8
Fair value movement on interest-rate swaps	**12.5**	–
Total interest income	**37.7**	24.7
Net interest expense	**(179.2)**	(170.7)

Included within rents payable (note 4) is finance lease interest payable of **£2.4m** (2013: £2.1m).

The Group has changed the calculation and presentation of pension interest following the adoption of IAS 19R. In accordance with IAS 19R, pension interest for the current year has been calculated and presented on a net basis. The corresponding balances in the prior year have been re-presented to align the presentation but have not been adjusted as the impact is not considered to be material.

The following table reconciles interest expense and interest income per the Group income statement to interest expense and interest income included within revenue profit (note 4):

Group	2014 £m	2013 £m
Total interest expense (a)	**(216.9)**	(195.4)
Joint venture net interest expense	**(22.7)**	(31.0)
Amortisation of bond exchange de-recognition adjustment	**19.6**	18.1
Fair value movement on interest-rate swaps	**–**	2.8
Adjustment for proportionate share of fair value movement on interest-rate swaps[1]	**–**	(1.2)
Adjustment for proportionate share of interest expense[1]	**4.1**	1.8
Total interest expense included in revenue profit (b)	**(215.9)**	(204.9)
Joint venture net interest expense	**22.7**	31.0
Interest expense in the segment note	**(193.2)**	(173.9)
Total interest income (c)	**37.7**	24.7
Fair value movement on interest-rate swaps	**(10.4)**	–
Adjustment for proportionate share of fair value movement on interest-rate swaps[1]	**(2.1)**	–
Interest income included in revenue profit (d)	**25.2**	24.7
Net interest expense included in the income statement (a+c)	**179.2**	170.7
Net interest expense included in revenue profit (b+d)	**190.7**	180.2

1. This represents the difference between interest expense and the fair value movement on interest-rate swaps on a proportionate basis and interest expense and the fair value of interest-rate swaps per the Group income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

10. Net assets per share

Group	2014 £m	2013 £m
Net assets attributable to the owners of the Parent	**8,418.3**	7,486.7
Fair value of interest-rate swaps – Group	**3.7**	16.1
– Joint ventures	**(0.1)**	8.4
EPRA adjusted net assets	**8,421.9**	7,511.2
Reverse bond exchange de-recognition adjustment	**(413.2)**	(432.8)
Adjusted net assets attributable to the owners of the Parent	**8,008.7**	7,078.4
Reinstate bond exchange de-recognition adjustment	**413.2**	432.8
Fair value of interest-rate swaps – Group	**(3.7)**	(16.1)
– Joint ventures	**0.1**	(8.4)
Excess of fair value of debt over book value (note 22)	**(889.1)**	(1,111.8)
EPRA triple net assets	**7,529.2**	6,374.9

	2014 million	2013 million
Number of ordinary shares in issue	**799.2**	792.1
Number of treasury shares	**(10.5)**	(10.5)
Number of own shares	**(1.1)**	(1.1)
Number of ordinary shares – basic net assets per share	**787.6**	780.5
Dilutive effect of share options	**3.0**	3.2
Number of ordinary shares – diluted net assets per share	**790.6**	783.7

	2014 pence	2013 pence
Net assets per share	**1,069**	959
Diluted net assets per share	**1,065**	955
Adjusted net assets per share	**1,017**	907
Adjusted diluted net assets per share	**1,013**	903
EPRA measure – adjusted diluted net assets per share	**1,065**	958
– diluted triple net assets per share	**952**	813

Adjusted net assets per share excludes the fair value of 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.

11. Earnings per share

Earnings per share (EPS) is the amount of post-tax profit attributable to each share.

The Group has also chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Adjusted earnings per share exclude items of a capital nature and one-off items. We believe our measure of adjusted diluted earnings per share is more appropriate than the EPRA measure in the context of our business.

Group	2014 £m	2013 £m
Profit for the financial year attributable to the owners of the Parent	**1,116.6**	533.0
Net surplus on revaluation of investment properties	**(763.8)**	(217.5)
(Profit)/loss on disposal of investment properties	**(16.0)**	1.6
Profit on disposal of investments in joint ventures	**(2.5)**	–
Profit on disposal of other investments	**–**	(1.6)
Release of impairment of trading properties	**(5.0)**	(3.1)
Profit on disposal of trading properties	**(2.4)**	(38.0)
Fair value movement on interest-rate swaps	**(15.2)**	(2.0)
Revaluation of redemption liabilities	**5.6**	4.5
Net gain on business combination	**(5.0)**	(1.4)
Group taxation	**(7.7)**	–
Joint venture taxation	**0.6**	–
Joint venture net liabilities adjustment[1]	**0.3**	(0.3)
Adjustment for proportionate share of earnings[2]	**(5.0)**	(5.0)
EPRA adjusted earnings attributable to the owners of the Parent	**300.5**	270.2
Eliminate profit on long-term development contracts[3]	**(1.0)**	(0.1)
Eliminate amortisation of bond exchange de-recognition	**19.6**	18.1
Adjusted earnings attributable to the owners of the Parent	**319.1**	288.2

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. Adjusted earnings are presented on a proportionate basis. This adjustment represents the difference between the proportionate share of earnings of non-wholly owned subsidiaries which is included in adjusted earnings, and the 100% share which is consolidated in the Group's income statement.
3. The profit on long-term development contracts has been removed from our adjusted earnings due to the long-term, capital nature of these programmes.

	2014 million	2013 million
Weighted average number of ordinary shares	**796.2**	789.1
Weighted average number of treasury shares	**(10.5)**	(8.7)
Weighted average number of own shares	**(1.1)**	(1.5)
Weighted average number of ordinary shares – basic earnings per share	**784.6**	778.9
Dilutive effect of share options	**2.9**	3.4
Weighted average number of ordinary shares – diluted earnings per share	**787.5**	782.3

	2014 pence	2013 pence
Basic earnings per share	**142.3**	68.4
Diluted earnings per share	**141.8**	68.1
Adjusted earnings per share	**40.7**	37.0
Adjusted diluted earnings per share	**40.5**	36.8
EPRA adjusted earnings per share	**38.3**	34.7
EPRA adjusted diluted earnings per share	**38.2**	34.5

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

12. Dividends

Accounting policy

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.

			Group and Company	
	Payment date	Pence per share	**2014 £m**	2013 £m
For the year ended 31 March 2012:				
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
Third interim	17 April 2013	7.4	**57.8**	
Final	19 July 2013	7.6	**59.4**	
For the year ended 31 March 2014:				
First interim	11 October 2013	7.6	**59.6**	
Second interim	9 January 2014	7.6	**59.7**	
Gross dividend			**236.5**	228.8
Dividends settled in shares			**(61.1)**	(50.4)
Unpaid dividends refunded			**–**	(0.9)
Dividends in the statement of changes in equity			**175.4**	177.5
Timing difference relating to payment of withholding tax			**0.2**	0.8
Dividends in the statement of cash flows			**175.6**	178.3

The Board has proposed a final quarterly dividend for the year ended 31 March 2014 of **7.9p** per share (2013: 7.6p), which will be 100% PID and result in a further estimated distribution of **£62.3m** (2013: £59.4m). It will be paid on 22 July 2014 to shareholders who are on the Register of Members on 20 June 2014. The final dividend is in addition to the third quarterly interim dividend of **7.6p** or **£59.8m** paid on 11 April 2014 (2013: 7.4p or £57.8m). The total dividend paid and proposed in respect of the year ended 31 March 2014 is **30.7p** (2013: 29.8p).

During the year the Company operated a scrip dividend scheme which provided 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 **£61.1m** (2013: £50.4m). Following payment of the third interim dividend in April 2014, the Company suspended the scrip dividend and introduced a dividend reinvestment plan.

13. Income tax

Accounting policy

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.

Critical accounting judgements and key estimations of uncertainty (compliance with Real Estate Investment Trust (REIT) taxation regime)

On 1 January 2007 the Group converted to a group REIT. 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. 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.

Group	2014 £m	2013 £m
Current tax		
Income tax charge for the year	**(0.9)**	–
Adjustment in respect of prior years	**8.6**	–
Total income tax credit in the income statement	**7.7**	–

The tax for the year is lower than the standard rate of corporation tax in the UK of **23%** (2013: 24%). The differences are explained below:

	2014 £m	2013 £m
Profit before tax	**1,108.9**	533.0
Profit before tax multiplied by the rate of corporation tax in the UK of **23%** (2013: 24%)	**(255.0)**	(127.9)
Exempt property rental profits and revaluations in the year	**248.1**	119.0
	(6.9)	(8.9)
Effects of:		
Interest rate fair value movements and other timing differences	**2.1**	(0.1)
Adjustment in respect of prior years	**8.6**	–
Non-allowable expenses and non-taxable items	**1.3**	(0.2)
Losses carried forward	**–**	(2.0)
Utilisation of brought forward losses	**1.9**	11.2
Joint venture tax adjustment	**0.7**	–
Total income tax credit in the income statement (as above)	**7.7**	–

The Group has unrecognised unutilised revenue tax losses carried forward as at 31 March 2014 of approximately **£52.0m** (2013: £63.0m). During the year the Group released provisions of **£8.6m** (2013: £nil) to the income statement on the settlement of historical issues.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

14. Net cash generated from operations

	Group		Company	
Reconciliation of operating profit to net cash generated from operations:	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Operating profit	**1,093.2**	648.2	**22.0**	328.0
Adjustments for:				
Depreciation	**2.7**	2.6	**–**	–
(Profit)/loss on disposal of investment properties	**(15.6)**	3.1	**–**	–
Profit on disposal of trading properties	**(1.9)**	(37.4)	**–**	–
Profit on disposal of investments in joint ventures	**(2.5)**	–	**–**	–
Profit on disposal of other investments	**–**	(1.6)	**–**	–
Net valuation surplus on investment properties	**(606.6)**	(196.7)	**–**	–
Release of impairment of trading properties	**(5.3)**	(7.1)	**–**	–
Share-based payment charge	**5.5**	2.9	**–**	–
Defined benefit pension scheme charge	**1.0**	1.1	**–**	–
	470.5	415.1	**22.0**	328.0
Changes in working capital:				
Increase in long-term development contracts	**(1.3)**	(1.0)	**–**	–
Increase in receivables	**(52.9)**	(48.0)	**–**	–
Increase/(decrease) in payables and provisions	**14.3**	(21.1)	**(22.0)**	(328.0)
Net cash generated from operations	**430.6**	345.0	**–**	–

Section 3 – Properties

This section focuses on the property assets which form the core of the Group's business. It includes details of investment properties, investments in joint ventures and trading properties.

The Group's property portfolio is a combination of wholly owned investment and trading properties, and investment and trading properties held through joint ventures. Investment properties are carried at fair value and trading properties are carried at the lower of cost and net realisable value. Both of these values are determined by the Group's external valuers.

The Group's wholly owned properties are presented as either 'Investment properties' or 'Trading properties' in the Group balance sheet. The Group applies equity accounting to its investments in joint ventures, which requires the Group's share of properties held by joint ventures to be presented within 'Investments in joint ventures'. The combined value of the Group's total investment property portfolio (including the Group's share of investment properties held through joint ventures) is shown as a reconciliation in note 15.

15. Investment properties

Accounting policy

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. 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. 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.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be held as an investment property. 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.

Critical accounting judgements and key estimations of uncertainty (investment property valuation)

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 property market.

The investment property valuation contains a number of assumptions upon which Knight Frank and JLL have based their valuation of the Group's properties as at 31 March 2014. The assumptions on which the valuations 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 Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2012. However, if any assumptions made by the property valuer prove to be inaccurate, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

15. Investment properties continued

Group	2014 £m	2013 £m
Net book value at the beginning of the year	**9,651.9**	8,453.2
Acquisitions	**1.6**	245.3
Acquired in business combination	**–**	545.0
Capital expenditure	**222.0**	277.8
Capitalised interest	**5.5**	18.9
Disposals	**(637.3)**	(48.5)
Net movement in finance leases	**3.2**	13.5
Transfer to trading properties	**(5.8)**	(50.0)
Valuation surplus	**606.6**	196.7
Net book value at 31 March	**9,847.7**	9,651.9

The market value of the Group's investment properties, as determined by the Group's external valuers, differs from the net book value presented in the balance sheet due to the Group presenting lease incentives, tenant finance leases and head leases separately. The following table reconciles the net book value of the investment properties to the market value.

	2014 £m	2013 £m
Net book value at 31 March	**9,847.7**	9,651.9
Plus: tenant lease incentives (note 28)	**251.9**	238.0
Less: head leases capitalised (note 26)	**(30.1)**	(28.7)
Plus: properties treated as finance leases	**219.3**	212.0
Market value at 31 March – Group	**10,288.8**	10,073.2
– Adjustment for non-wholly owned subsidiaries[1]	**(29.8)**	(240.0)
– Joint ventures (note 16)	**1,600.4**	1,613.2
– Combined portfolio	**11,859.4**	11,446.4

1. This represents the interest in X-Leisure which we do not own, but is consolidated in the Group numbers.

The net book value of leasehold properties where head leases have been capitalised is **£925.1m** (2013: £947.3m). Investment properties include capitalised interest of **£214.3m** (2013: £208.8m). The average rate of interest capitalisation for the year is **5.0%** (2013: 5.0%). The historical cost of investment properties is **£6,579.6m** (2013: £7,003.5m).

15. Investment properties continued

Valuation process

The fair value of the Group's investment properties at 31 March 2014 was determined by the Group's external valuers, Knight Frank and JLL. The valuations are in accordance with RICS standards. The valuations performed by the independent valuers are reviewed internally by senior management and relevant people within the London and Retail business units. This includes discussions of the assumptions used by the external valuers, as well as a review of the resulting valuations. Discussions of the valuation process and results are held between senior management, the audit committee and the external valuers on a half-yearly basis.

The valuers' opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms and using appropriate valuation techniques. The fair value of investment properties is determined using the income capitalisation approach. Under this approach, forecast net cash flows, based upon market derived estimated present rental values (market rent), together with estimated costs are discounted at market derived capitalisation rates to produce the valuers' opinion of fair value. The average discount rate which, if applied to all cash flows would produce the fair value, is described as the equivalent yield.

Prior to their completion, properties in the development programme are valued using a residual valuation method. Under this methodology, the valuer assesses the completed development value using income and yield assumptions. Deductions are then made for estimated costs to complete, including finance and developer's profit, to arrive at the valuation.

The Group considers all of its investment properties to fall within 'Level 3', as defined by IFRS 13. Accordingly, there has been no transfer of properties within the fair value hierarchy in the financial year. The table below summarises the key unobservable inputs used in the valuation of the Group's wholly owned investment properties at 31 March 2014:

										31 March 2014
			Estimated rental value £ per sq ft			Equivalent yield %			Costs £ per sq ft	
	Market value £m	Low	Average	High	Low	Average	High	Low	Average	High
Retail Portfolio										
Shopping centres and shops	**2,184.2**	**11**	**29**	**50**	**4.5**	**5.8**	**8.8**	**–**	**3**	**12**
Retail warehouses and food stores	**1,125.0**	**12**	**20**	**30**	**5.1**	**5.8**	**7.5**	**–**	**5**	**26**
Leisure and hotels	**1,229.7**	**5**	**13**	**25**	**5.2**	**6.6**	**9.7**	**–**	**1**	**17**
Other[1]	**28.7**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Total Retail Portfolio (excluding developments)	**4,567.6**	**5**	**20**	**50**	**4.5**	**6.0**	**9.7**	**–**	**3**	**26**
London Portfolio										
West End	**1,539.6**	**14**	**46**	**60**	**4.5**	**5.0**	**5.4**	**–**	**1**	**8**
City	**932.3**	**36**	**44**	**54**	**4.7**	**5.0**	**5.8**	**–**	**7**	**15**
Mid-town	**941.7**	**32**	**47**	**56**	**4.7**	**4.9**	**5.6**	**–**	**13**	**92**
Inner London	**316.2**	**22**	**27**	**35**	**5.0**	**5.9**	**6.5**	**–**	**24**	**66**
Total London offices	**3,729.8**	**14**	**43**	**60**	**4.5**	**5.0**	**6.5**	**–**	**9**	**92**
Central London shops	**905.1**	**12**	**47**	**93**	**4.3**	**5.0**	**7.0**	**–**	**–**	**–**
Other[1]	**88.2**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Total London Portfolio (excluding developments)	**4,723.1**	**12**	**43**	**93**	**4.3**	**5.0**	**7.0**	**–**	**8**	**92**
Developments: income capitalisation method	**584.3**	**61**	**65**	**67**	**5.0**	**5.0**	**5.0**	**–**	**2**	**4**
Developments: residual method	**413.8**	**21**	**55**	**69**	**5.1**	**5.3**	**5.5**	**88**	**328**	**466**
Development programme	**998.1**	**21**	**58**	**69**	**5.0**	**5.1**	**5.5**	**–**	**226**	**466**
Market value at 31 March 2014 – Group	**10,288.8**									

1. The 'Other' category contains a range of low value properties of a diverse nature. As a result it is not meaningful to present assumptions used in valuing these properties.

Definition of terms

For definitions of estimated rental value and equivalent yield, see glossary. Costs include future estimated costs associated with refurbishment or development (excluding finance costs), together with an estimate of cash incentives to be paid to tenants.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

15. Investment properties continued

Sensitivities

The following table illustrates the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

							31 March 2014
		Impact on valuations of 5% change in estimated rental value		Impact on valuations of 25 bps change in equivalent yield		Impact on valuations of 5% change in costs	
	Market value £m	Increase £m	Decrease £m	Decrease £m	Increase £m	Decrease £m	Increase £m
Total Retail Portfolio (excluding developments)	4,567.6	184.0	(163.9)	185.8	(175.2)	n/a	n/a
Total London Portfolio (excluding developments)	4,723.1	182.4	(166.4)	246.8	(222.8)	n/a	n/a
Developments: income capitalisation method	584.3	26.3	(25.8)	32.5	(29.4)	n/a	n/a
Developments: residual method	413.8	24.2	(24.2)	35.2	(32.0)	16.3	(16.3)
Market value at 31 March 2014 – Group	10,288.8						

16. Investments in joint ventures

Accounting policy

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. In the Group's statutory financial statements, interests in jointly-controlled entities are accounted for using the equity method of accounting. 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. All information presented in respect of jointly-controlled entities is consistent with the Group's reporting date. The Group's joint ventures are described below:

Name of joint venture	Percentage owned	Business segment	Year end date	Joint venture partners
Held at 31 March 2014				
20 Fenchurch Street Limited Partnership	50.0%	London Portfolio	31 March	Canary Wharf Group plc
Nova, Victoria[1]	50.0%	London Portfolio	31 March	Canada Pension Plan Investment Board
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
Harvest[2]	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
Westgate Oxford Alliance Limited Partnership[3]	50.0%	Retail Portfolio	31 March	The Crown Estate Commissioners
The Martineau Galleries Limited Partnership[3]	33.3%	Retail Portfolio	31 December	Hammerson plc Pearl Group Limited
The Ebbsfleet Limited Partnership[3]	50.0%	London Portfolio	31 March	Lafarge Cement UK PLC
Millshaw Property Co. Limited[3]	50.0%	Retail Portfolio	31 March	Evans Property Group Limited
Countryside Land Securities (Springhead) Limited[3]	50.0%	London Portfolio	30 September	Countryside Properties PLC
West India Quay Unit Trust[3]	50.0%	Retail Portfolio	31 December	Schroder Exempt Property Unit Trust
Disposed of in the year ended 31 March 2014				
The Scottish Retail Property Limited Partnership[3]	50.0%	Retail Portfolio	31 March	The British Land Company PLC
Hungate (York) Regeneration Limited[3]	33.3%	Retail Portfolio	30 June	Crosby Lend Lease PLC Evans Property Group Limited
The Empress State Limited Partnership[3]	50.0%	London Portfolio	31 December	Capital & Counties Properties PLC
Disposed of/dissolved in the year ended 31 March 2013				
HNJV Limited[3]	50.0%	London Portfolio	31 March	Places for People Group Limited
The Martineau Limited Partnership[3]	33.3%	Retail Portfolio	31 December	Hammerson plc Pearl Group Limited

1. Nova, Victoria includes the Victoria Circle Limited Partnership and Nova Residential Limited Partnership.
2. Harvest includes The Harvest Limited Partnership and Harvest Two Limited Partnership.
3. Included within 'Other' in subsequent tables.

All joint ventures are registered in England and Wales with the exception of The Scottish Retail Property Limited Partnership, Metro Shopping Fund Limited Partnership and West India Quay Unit Trust which are registered in Jersey.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

16. Investments in joint ventures continued

Year ended 31 March 2014

Income statement	20 Fenchurch Street Limited Partnership £m	Nova, Victoria £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	Harvest £m	The Oriana Limited Partnership £m	Other £m	Total £m
Gross rental income (after rents payable)	0.5	(0.1)	7.2	9.0	16.7	17.7	3.8	6.4	12.0	73.2
Net rental income/(expense)	(1.9)	(0.6)	6.4	7.8	13.6	15.1	3.6	6.2	10.1	60.3
Segment profit/(loss) before interest	(2.1)	(0.7)	6.1	7.7	13.0	14.8	3.2	5.9	9.5	57.4
Interest expense	(4.4)	(0.3)	(3.3)	(4.2)	(4.4)	–	(0.7)	(3.7)	(1.7)	(22.7)
Revenue profit	(6.5)	(1.0)	2.8	3.5	8.6	14.8	2.5	2.2	7.8	34.7
Capital and other items										
Profit on long-term development contracts	–	–	–	–	–	–	1.0	–	–	1.0
Profit on disposal of trading properties	–	–	–	–	0.5	–	–	–	–	0.5
Profit on disposal of investment properties	–	–	–	–	–	–	0.3	–	0.1	0.4
Impairment of trading properties	–	–	–	–	(0.3)	–	–	–	–	(0.3)
Net surplus/(deficit) on revaluation of investment properties	100.7	15.1	8.2	(3.2)	8.8	(2.7)	(1.9)	32.7	(2.4)	155.3
Fair value movement on interest-rate swaps	–	–	–	–	1.8	–	–	1.5	1.5	4.8
Adjustment to include proportionate share of earnings[1]	–	–	–	–	–	–	–	–	0.5	0.5
Profit before tax	94.2	14.1	11.0	0.3	19.4	12.1	1.9	36.4	7.5	196.9
Income tax	–	–	(0.5)	–	(0.2)	–	(0.2)	–	(0.2)	(1.1)
	94.2	14.1	10.5	0.3	19.2	12.1	1.7	36.4	7.3	195.8
Net liabilities adjustment[2]	–	–	–	–	–	–	–	–	(0.3)	(0.3)
Share of post-tax profit	94.2	14.1	10.5	0.3	19.2	12.1	1.7	36.4	7.0	195.5

Year ended 31 March 2013

Income statement	20 Fenchurch Street Limited Partnership £m	Nova, Victoria £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	Harvest £m	The Oriana Limited Partnership £m	Other £m	Total £m
Gross rental income (after rents payable)	0.1	1.8	6.8	9.0	16.0	18.1	4.1	7.1	18.8	81.8
Net rental income	–	0.9	6.0	8.0	11.9	14.4	3.9	7.1	16.7	68.9
Segment profit/(loss) before interest	(0.1)	0.7	5.6	8.0	11.3	13.9	3.4	6.7	15.9	65.4
Interest expense	(2.1)	(3.4)	(3.2)	(4.1)	(5.3)	–	(1.4)	(4.5)	(7.0)	(31.0)
Revenue profit	(2.2)	(2.7)	2.4	3.9	6.0	13.9	2.0	2.2	8.9	34.4
Capital and other items										
Profit on disposal of trading properties	–	–	–	–	0.6	–	–	–	–	0.6
Profit on disposal of investment properties	–	–	–	–	1.3	–	–	–	0.2	1.5
Impairment of trading properties	–	–	–	–	(0.1)	–	–	–	(3.9)	(4.0)
Net surplus/(deficit) on revaluation of investment properties	23.1	15.2	(6.3)	–	8.1	(17.9)	(1.4)	7.3	(7.6)	20.5
Fair value movement on interest-rate swaps	–	–	–	–	0.9	–	–	1.1	2.8	4.8
Adjustment to include proportionate share of earnings[1]	–	–	–	–	–	–	–	–	0.5	0.5
Profit/(loss) before tax	20.9	12.5	(3.9)	3.9	16.8	(4.0)	0.6	10.6	0.9	58.3
Income tax	–	–	–	–	–	–	–	–	–	–
	20.9	12.5	(3.9)	3.9	16.8	(4.0)	0.6	10.6	0.9	58.3
Net liabilities adjustment[2]	–	–	–	–	–	–	–	–	0.3	0.3
Share of post-tax profit/(loss)	20.9	12.5	(3.9)	3.9	16.8	(4.0)	0.6	10.6	1.2	58.6

1. All items in the Investments in joint ventures note are presented on a proportionate basis (see page 91). This adjustment represents the difference between the share of post-tax profit for joint ventures on a proportionate basis and the share of post-tax profit from joint ventures per the Group income statement.
2. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit. Where this is the case, distributions are included in the consolidated income statement for the period.

16. Investments in joint ventures continued

Year ended 31 March 2014

Net investment	20 Fenchurch Street Limited Partnership £m	Nova, Victoria £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	Harvest £m	The Oriana Limited Partnership £m	Other £m	Total £m
At 1 April 2012	101.7	102.5	42.6	138.7	147.5	287.4	101.3	76.0	139.9	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	11.5	–	–	26.7	–	2.0	1.1	64.9	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	12.5	(3.9)	3.9	16.8	(4.0)	0.6	10.6	1.2	58.6
At 31 March 2013	**175.6**	**126.5**	**37.0**	**138.2**	**186.1**	**268.7**	**61.7**	**82.1**	**225.1**	**1,301.0**
Cash contributed	–	–	–	1.3	–	–	–	–	3.4	4.7
Property and other contributions	0.1	–	–	–	–	–	–	–	–	0.1
Distributions	–	–	(0.8)	(4.7)	–	(16.1)	–	–	(5.8)	(27.4)
Fair value movement on cash flow hedges taken to comprehensive income	–	–	3.0	–	–	–	0.5	–	–	3.5
Loan advances	60.5	40.7	–	–	–	–	13.4	–	2.5	117.1
Loan repayments	–	–	–	–	(10.0)	–	–	–	(0.9)	(10.9)
Disposal of investment	–	–	–	–	–	–	–	–	(140.3)	(140.3)
Share of post-tax profit	94.2	14.1	10.5	0.3	19.2	12.1	1.7	36.4	7.0	195.5
At 31 March 2014	**330.4**	**181.3**	**49.7**	**135.1**	**195.3**	**264.7**	**77.3**	**118.5**	**91.0**	**1,443.3**
Balance sheet at 31 March 2014										
Investment properties[1]	343.4	132.6	117.7	134.0	261.6	254.6	57.4	196.0	74.1	1,571.4
Current assets	2.4	72.4	6.6	3.2	19.6	19.5	23.4	14.4	28.3	189.8
	345.8	205.0	124.3	137.2	281.2	274.1	80.8	210.4	102.4	1,761.2
Current liabilities	(15.4)	(17.3)	(3.2)	(2.1)	(7.1)	(6.8)	(2.7)	(8.5)	(2.5)	(65.6)
Non-current liabilities	–	(6.4)	(71.4)	–	(78.8)	(2.6)	(0.8)	(83.4)	(8.9)	(252.3)
	(15.4)	(23.7)	(74.6)	(2.1)	(85.9)	(9.4)	(3.5)	(91.9)	(11.4)	(317.9)
Net assets	**330.4**	**181.3**	**49.7**	**135.1**	**195.3**	**264.7**	**77.3**	**118.5**	**91.0**	**1,443.3**
Market value of investment properties[1]	343.8	132.6	118.6	135.0	272.2	267.3	58.2	199.0	73.7	1,600.4
Net (debt)/cash	**1.9**	**6.6**	**(67.2)**	**0.6**	**(72.6)**	**(0.1)**	**6.3**	**(76.9)**	**(6.8)**	**(208.2)**
Balance sheet at 31 March 2013										
Investment properties[1]	183.1	130.0	106.6	136.0	253.2	257.2	72.0	160.4	279.0	1,577.5
Current assets	2.9	3.8	5.3	4.4	36.2	21.3	13.4	9.3	39.1	135.7
	186.0	133.8	111.9	140.4	289.4	278.5	85.4	169.7	318.1	1,713.2
Current liabilities	(10.4)	(7.2)	(3.1)	(2.2)	(7.8)	(7.2)	(3.1)	(3.1)	(81.1)	(125.2)
Non-current liabilities	–	(0.1)	(71.8)	–	(95.5)	(2.6)	(20.6)	(84.5)	(12.2)	(287.3)
	(10.4)	(7.3)	(74.9)	(2.2)	(103.3)	(9.8)	(23.7)	(87.6)	(93.3)	(412.5)
Net liabilities adjustment[2]	–	–	–	–	–	–	–	–	0.3	0.3
Net assets	**175.6**	**126.5**	**37.0**	**138.2**	**186.1**	**268.7**	**61.7**	**82.1**	**225.1**	**1,301.0**
Market value of investment properties[1]	183.1	130.0	107.5	137.5	264.7	271.7	72.9	163.5	282.3	1,613.2
Net (debt)/cash	**2.9**	**3.8**	**(68.6)**	**2.3**	**(74.5)**	**(0.1)**	**(15.6)**	**(78.5)**	**(71.7)**	**(300.0)**

1. The difference between the book value and the market value of investment properties 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 2014 continued

17. Trading properties and long-term development contracts

Accounting policy

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.

Critical accounting judgements and key estimations of uncertainty (trading property valuation)

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.

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 determined on the basis of assumptions which may not prove to be accurate.

If the assumptions upon which the external valuer has based the valuation prove to be inaccurate, 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.

	Trading properties		Long-term development contracts	
Group	Development land and infrastructure £m	Residential £m	£m	Total £m
At 1 April 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**
Capital expenditure	**3.7**	**30.5**	**–**	**34.2**
Capitalised interest	**0.9**	**1.9**	**–**	**2.8**
Transfer from investment properties	**–**	**5.8**	**–**	**5.8**
Disposals	**–**	**(9.3)**	**–**	**(9.3)**
Impairment release	**5.3**	**–**	**–**	**5.3**
Contract costs deferred	**–**	**–**	**1.3**	**1.3**
At 31 March 2014	**96.1**	**86.1**	**10.7**	**192.9**

The cumulative impairment provision at 31 March 2014 in respect of 'Development land and infrastructure' was **£98.1m** (31 March 2013: £103.4m); and in respect of 'Residential' was **£0.3m** (31 March 2013: £0.3m). The average rate of interest capitalisation for the year is **5.0%** (2013: 5.0%).

18. Capital commitments

Group	2014 £m	2013 £m
Contracted capital commitments at the end of the year in respect of:		
Investment properties	**307.5**	170.5
Trading properties	**50.4**	66.5
	357.9	237.0
Joint ventures (our share)	**220.7**	302.2
Total capital commitments	**578.6**	539.2

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

19. Net investment in finance leases

Accounting policy

Where the Group's leases transfer the significant risks and rewards of owning the asset to the tenant, the lease is accounted for as a finance lease. At the outset of the lease the fair value of the asset is de-recognised from investment property and recognised as a finance lease receivable. Lease income is recognised over the period of the lease, reflecting a constant rate of return. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income within Revenue.

Group	2014 £m	2013 £m
Non-current		
Finance leases – gross receivables	**357.6**	379.6
Unearned finance income	**(204.3)**	(225.2)
Unguaranteed residual value	**33.6**	33.6
	186.9	188.0
Current		
Finance leases – gross receivables	**12.0**	12.0
Unearned finance income	**(10.4)**	(10.3)
	1.6	1.7
Net investment in finance leases	**188.5**	189.7
Gross receivables from finance leases due:		
Not later than one year	**12.0**	12.0
Later than one year but not more than five years	**50.3**	49.3
More than five years	**307.3**	330.3
	369.6	391.6
Unearned future finance income	**(214.7)**	(235.5)
Unguaranteed residual value	**33.6**	33.6
Net investment in finance leases	**188.5**	189.7

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. The fair value of the Group's finance lease receivables, using a discount rate of **5.0%** (2013: 4.9%), is **£190.9m** (2013: £188.4m).

20. Other property, plant and equipment

Accounting policy

Other property, plant and equipment comprise 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.

Group	2014 £m	2013 £m
Net book value at the beginning of the year	**8.3**	8.8
Capital expenditure	**1.7**	2.2
Disposals	**–**	(0.1)
Depreciation	**(2.7)**	(2.6)
Net book value at 31 March	**7.3**	8.3

Section 4 – Capital structure and financing

This section focuses on the Group's financing structure, including borrowings and financial risk management.

The total capital of the Group consists of shareholders' equity and net debt. 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 table in note 21 details a number of the Group's key metrics in relation to managing its capital structure.

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 general, we follow a secured debt strategy as we believe this gives the Group better access to borrowings at a lower cost.

In addition, the Group holds a number of assets outside of the Security Group structure (in the Non-Restricted Group). These assets include a number of joint venture interests, our interests in X-Leisure, and other properties where we have asset specific finance. By having both the Security Group and the Non-Restricted Group, and considerable flexibility to move assets between the two, we are able to raise the most appropriate finance for each specific asset or joint venture.

IFRSs require the Group to state a large part of its net debt at below its nominal value, however, we view our capital structure on a basis which adjusts for this (see note 22 for an explanation of the bond exchange de-recognition adjustment).

21. Capital structure

	2014				2013			
Group	Group £m	Adjustment for non-wholly owned subsidiaries[1] £m	Joint ventures £m	Combined £m	Group £m	Adjustment for non-wholly owned subsidiaries[1] £m	Joint ventures £m	Combined £m
Property portfolio								
Market value of investment properties	**10,288.8**	**(29.8)**	**1,600.4**	**11,859.4**	10,073.2	(240.0)	1,613.2	11,446.4
Trading properties and long-term development contracts	**192.9**	**–**	**91.7**	**284.6**	152.8	–	20.8	173.6
Total property portfolio (a)	**10,481.7**	**(29.8)**	**1,692.1**	**12,144.0**	10,226.0	(240.0)	1,634.0	11,620.0
Net debt								
Borrowings	**3,362.2**	**(0.1)**	**244.9**	**3,607.0**	3,751.4	(124.4)	344.6	3,971.6
Monies held in restricted accounts and deposits	**(14.5)**	**–**	**–**	**(14.5)**	(30.9)	–	–	(30.9)
Cash and cash equivalents	**(20.9)**	**0.1**	**(36.6)**	**(57.4)**	(41.7)	11.4	(53.0)	(83.3)
Fair value of interest-rate swaps	**3.7**	**–**	**(0.1)**	**3.6**	19.8	(3.7)	8.4	24.5
Net debt (b)	**3,330.5**	**–**	**208.2**	**3,538.7**	3,698.6	(116.7)	300.0	3,881.9
Less: Fair value of interest-rate swaps	**(3.7)**	**–**	**0.1**	**(3.6)**	(19.8)	3.7	(8.4)	(24.5)
Reverse bond exchange de-recognition (note 22)	**413.2**	**–**	**–**	**413.2**	432.8	–	–	432.8
Adjusted net debt (c)	**3,740.0**	**–**	**208.3**	**3,948.3**	4,111.6	(113.0)	291.6	4,290.2
Total equity								
Total equity (d)	**8,418.3**			**8,418.3**	7,486.7			7,486.7
Fair value of interest-rate swaps	**3.7**		**(0.1)**	**3.6**	19.8	(3.7)	8.4	24.5
Reverse bond exchange de-recognition (note 22)	**(413.2)**			**(413.2)**	(432.8)			(432.8)
Adjusted total equity (e)	**8,008.8**		**(0.1)**	**8,008.7**	7,073.7	(3.7)	8.4	7,078.4
Gearing (b/d)	**39.6%**			**42.0%**	49.4%			51.8%
Adjusted gearing (c/e)	**46.7%**			**49.3%**	58.1%			60.6%
Group LTV (c/a)	**35.7%**			**32.5%**	40.2%			36.9%
Security Group LTV	**35.5%**				37.7%			
Weighted average cost of debt	**5.0%**			**5.0%**	4.9%			4.9%

1. This represents the **5.0%** (2013: 40.6%) 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 2014 continued

22. Borrowings

Accounting policy

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 (bond exchange de-recognition adjustment).

Group	Secured/ unsecured	Fixed/ floating	Effective interest rate %	2014 Nominal/ notional value £m	2014 Fair value £m	2014 Book value £m	2013 Nominal/ notional value £m	2013 Fair value £m	2013 Book value £m
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	13.2	15.0	13.2	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	500.0	500.0	500.0	35.7	37.0	36.9
Total current borrowings				513.2	515.0	513.2	435.0	441.2	436.2
Non-current borrowings									
Sterling									
4.875 per cent MTN due 2019	Secured	Fixed	5.0	400.0	441.1	398.2	400.0	458.9	397.8
5.425 per cent MTN due 2022	Secured	Fixed	5.5	255.3	290.8	254.8	255.3	307.1	254.7
4.875 per cent MTN due 2025	Secured	Fixed	4.9	300.0	332.6	297.9	300.0	357.7	297.7
5.391 per cent MTN due 2026	Secured	Fixed	5.4	210.7	242.9	210.0	210.7	254.0	210.0
5.391 per cent MTN due 2027	Secured	Fixed	5.4	608.6	703.3	606.4	608.6	744.0	606.3
5.376 per cent MTN due 2029	Secured	Fixed	5.4	317.5	366.3	316.1	317.6	384.8	316.1
5.396 per cent MTN due 2032	Secured	Fixed	5.4	322.7	375.1	321.0	322.7	392.9	320.9
5.125 per cent MTN due 2036	Secured	Fixed	5.1	500.0	570.2	498.7	500.0	596.5	498.6
Bond exchange de-recognition adjustment						(413.2)			(432.8)
				2,914.8	3,322.3	2,489.9	2,914.9	3,495.9	2,469.3
5.253 per cent QAG Bond	Secured	Fixed	5.3	304.0	346.0	304.0	317.2	384.1	317.2
Syndicated bank debt	Secured	Floating	LIBOR + margin	15.0	15.0	15.0	330.0	330.0	330.0
Bilateral facilities	Secured	Floating	LIBOR + margin	10.0	10.0	10.0	170.0	170.0	170.0
Amounts payable under finance leases (note 26)	Unsecured	Fixed	7.2	30.1	43.0	30.1	28.7	42.0	28.7
Total non-current borrowings				3,273.9	3,736.3	2,849.0	3,760.8	4,422.0	3,315.2
Total borrowings				3,787.1	4,251.3	3,362.2	4,195.8	4,863.2	3,751.4

Reconciliation of the movement in borrowings

Group	2014 £m	2013 £m
At the beginning of the year	3,751.4	3,235.9
Repayment of loans	(911.3)	(10.9)
Acquired in business combination	–	305.8
Proceeds from new loans	500.0	200.8
Amortisation of finance fees	1.1	1.0
Amortisation of bond exchange de-recognition adjustment	19.6	18.1
Net movement in finance lease obligations	1.4	0.7
At 31 March	3,362.2	3,751.4

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

22. Borrowings continued

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 Nova, Victoria, valued at **£9.7bn** at 31 March 2014 (2013: £9.3bn). 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 27). 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 and bilateral bank debt

Group	Maturity as at 31 March 2014	Authorised 2014 £m	Authorised 2013 £m	Drawn 2014 £m	Drawn 2013 £m	Undrawn 2014 £m	Undrawn 2013 £m
Syndicated debt	2016	**1,085.0**	1,085.0	**15.0**	330.0	**1,070.0**	755.0
Bilateral debt	2014–18	**985.0**	300.0	**510.0**	170.0	**475.0**	130.0
Debt acquired in business combination	n/a	**–**	330.3	**–**	301.7	**–**	28.6
		2,070.0	1,715.3	**525.0**	801.7	**1,545.0**	913.6

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year. Accordingly, the Group's available facilities at 31 March 2014 were **£1,045.0m** (2013: £913.6m), compared with undrawn facilities of **£1,545.0m** (2013: £913.6m).

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the year, a £165m bilateral facility was repaid and the facility cancelled in full. At the same time a new £250m facility was entered into. £600m of further facilities were also made available to the Group throughout the year. All facilities acquired in the prior year business combination were repaid in full during the year and cancelled.

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 2014 the bond had an amortised book value of **£317.2m** (2013: £329.0m).

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. The fair values of the MTNs and the QAG Bond fall within Level 1, the syndicated and bilateral facilities fall within Level 2, and the amounts payable under finance leases fall within Level 3, as defined in IFRS 13.

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 expense in the income statement.

23. Monies held in restricted accounts and deposits

Accounting policy

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.

Group	2014 £m	2013 £m
Cash at bank and in hand	**7.6**	7.4
Short-term deposits	**6.9**	23.5
	14.5	30.9

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	2014 £m	2013 £m
Counterparties with external credit ratings		
A+	**–**	7.4
A	**14.5**	23.5
	14.5	30.9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

24. Cash and cash equivalents

Accounting policy

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.

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Cash at bank and in hand	**18.2**	17.4	**0.1**	0.1
Short-term deposits	**2.7**	24.3	**–**	–
	20.9	41.7	**0.1**	0.1

Short-term deposits

The effective interest rate on short-term deposits was **0.3%** at 31 March 2014 (2013: 0.3%) and had an average maturity of **2 days** (2013: 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	**2014 £m**	2013 £m
Counterparties with external credit ratings		
AA-	**–**	19.5
A+	**–**	6.1
A	**20.3**	16.1
A-	**0.6**	–
	20.9	41.7

25. Derivative financial instruments

Accounting policy

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.

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.

The fair values of the Group's outstanding interest-rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates. This valuation technique falls within level 2, as defined by IFRS 13.

Fair value of derivative financial instruments

Group	**2014 £m**	2013 £m
Non-current assets	**5.3**	–
Current liabilities	**(5.5)**	(9.1)
Non-current liabilities	**(3.5)**	(10.7)
Total	**(3.7)**	(19.8)

Notional amount	**2014 £m**	2013 £m
Interest-rate swaps	**1,120.0**	1,016.8

26. Obligations under finance leases

Accounting policy

Where the Group is a lessee and enters into a lease that transfers substantially all the risks and rewards of ownership of the asset to the Group, the lease is accounted for as a finance lease. 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.

Group	2014 £m	2013 £m
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	**2.2**	2.1
Later than one year but not more than five years	**8.6**	8.4
More than five years	**239.1**	234.2
	249.9	244.7
Future finance charges on finance leases	**(219.8)**	(216.0)
Present value of finance lease liabilities	**30.1**	28.7
The present value of finance lease liabilities fall due as follows:		
Not later than one year	**–**	–
Later than one year but not more than five years	**–**	–
More than five years	**30.1**	28.7
	30.1	28.7

The fair value of the Group's lease obligations, using a discount rate of **5.0%** (2013: 4.9%), is **£43.0m** (2013: £42.0m).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

27. 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 24 to 27) 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. The following table summarises the Group's financial assets and liabilities into the categories required by IFRS 7, 'Financial Instruments, Disclosure':

Group	2014 £m	2013 £m
Loans and receivables	**447.3**	405.4
Financial liabilities at amortised cost	**(3,705.3)**	(4,133.1)
Net financial liabilities at fair value through profit and loss	**(3.7)**	(19.8)
Other	**(32.6)**	(118.1)
	(3,294.3)	(3,865.6)

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.

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 2019 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	2014 £m	2013 £m
Cash and cash equivalents	**20.9**	41.7
Available facilities	**1,045.0**	913.6
Cash and available facilities	**1,065.9**	955.3
As a proportion of drawn debt	**28.4%**	23.0%

The Group's core financing structure is in the Security Group, although the remaining Non-Restricted Group may also secure independent funding.

27. Financial risk management continued

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 2014, the reported LTV for the Security Group was **35.5%** (2013: 37.7%), 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.

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.

				2014
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)	**683.1**	**183.0**	**950.7**	**3,863.6**
Finance lease liabilities	**2.2**	**2.2**	**6.5**	**239.1**
Derivative financial instruments	**5.5**	**–**	**–**	**3.5**
Trade payables	**12.9**	**–**	**–**	**–**
Capital accruals	**48.5**	**–**	**–**	**–**
Redemption liabilities	**2.6**	**–**	**–**	**30.0**
	754.8	**185.2**	**957.2**	**4,136.2**

				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 accruals	32.5	–	–	–
Redemption liabilities	–	118.1	–	–
	675.8	393.0	991.3	4,688.3

(iii) Market risk

The Group is exposed to market risk through interest rates and availability of credit. For financial instruments other than borrowings disclosed in note 22, the carrying value in the balance sheet approximates their fair values.

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 2014, the Group (including joint ventures) had **£1.4bn** (2013: £1.2bn) of interest-rate swaps in place, and its net debt was **94.5%** fixed (2013: 90.7%). Based on the Group's debt balances at 31 March 2014, a 1% increase in interest rates would increase the net interest payable in the income statement and reduce equity by **£2.8m** (2013: £5.0m). 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 2014 or at 31 March 2013.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

27. 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, is set out below:

	2014			2013		
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	3,262.1	525.0	3,787.1	3,395.3	800.5	4,195.8

The expected maturity profiles of the Group's borrowings are as follows:

	2014			2013		
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	13.2	500.0	513.2	134.5	300.5	435.0
More than one year but not more than two years	14.6	–	14.6	13.2	75.0	88.2
More than two years but not more than five years	453.7	25.0	478.7	48.7	425.0	473.7
More than five years	2,780.6	–	2,780.6	3,198.9	–	3,198.9
	3,262.1	525.0	3,787.1	3,395.3	800.5	4,195.8

The expected maturity profiles of the Group's derivative instruments are as follows:

Group	2014 £m	2013 £m
One year or less, or on demand	220.0	296.8
More than one year but not more than two years	70.0	220.0
More than two years but not more than five years	430.0	500.0
More than five years	400.0	–
	1,120.0	1,016.8

Valuation hierarchy

Interest-rate swaps and the redemption liabilities 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:

	2014				2013			
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets	–	5.3	–	5.3	–	–	–	–
Liabilities	–	(41.6)	–	(41.6)	–	(137.9)	–	(137.9)

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.

Section 5 – Working capital

This section focuses on our working capital balances, including trade and other receivables, trade and other payables and provisions.

28. Trade and other receivables

Accounting policy

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.

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Trade receivables	**75.0**	52.0	**–**	–
Less: allowance for doubtful accounts	**(14.0)**	(12.3)	**–**	–
Net trade receivables	**61.0**	39.7	**–**	–
Property sales receivables	**6.7**	3.1	**–**	–
Other receivables	**7.0**	10.8	**–**	–
Tenant lease incentives (note 15)	**251.9**	238.0	**–**	–
Prepayments and accrued income	**28.3**	33.3	**–**	–
Current tax assets	**3.3**	–	**14.2**	16.3
Net investment in finance leases due within one year (note 19)	**1.6**	1.7	**–**	–
Amounts due from joint ventures	**6.5**	18.2	**–**	–
Loans to Group undertakings	**–**	–	**–**	5.5
Total current trade and other receivables	**366.3**	344.8	**14.2**	21.8
Non-current trade and other receivables	**34.3**	10.6	**–**	–
Total trade and other receivables	**400.6**	355.4	**14.2**	21.8

The accounting for lease incentives is set out in note 5. The value of the tenant lease incentive, included in current trade and other receivables, is spread over the non-cancellable life of the lease.

Ageing of trade receivables

Group	Not past due £m	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
As at 31 March 2014						
Not impaired	**9.0**	**44.4**	**6.1**	**1.5**	**–**	**61.0**
Impaired	**–**	**0.2**	**3.9**	**1.6**	**8.3**	**14.0**
	9.0	**44.6**	**10.0**	**3.1**	**8.3**	**75.0**
As at 31 March 2013						
Not impaired	–	32.8	5.1	1.8	–	39.7
Impaired	–	0.4	1.8	3.4	6.7	12.3
	–	33.2	6.9	5.2	6.7	52.0

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

28. Trade and other receivables continued

In accordance with IFRS 7, the amounts shown as past due represent the total credit exposure, not the amount actually past due. The majority of the Group's trade receivables are considered past due as they relate to rents receivable from tenants which are payable in advance.

Movement in allowance for doubtful accounts

Group	2014 £m	2013 £m
At the beginning of the year	12.3	10.1
Net charge to the income statement	3.8	4.3
Acquired in business combination	–	1.4
Utilised in the year	(2.1)	(3.5)
At 31 March	**14.0**	12.3

Movement in tenant lease incentives

Group	2014 £m	2013 £m
At the beginning of the year	238.0	204.7
Revenue recognised	33.8	19.2
Capital incentives granted	7.3	15.8
Provision for doubtful receivables	(0.6)	(1.5)
Disposal of properties	(26.6)	(0.2)
At 31 March	**251.9**	238.0

29. Trade and other payables

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Trade payables	12.9	6.6	–	–
Capital accruals	48.5	32.5	–	–
Other payables	46.0	29.5	6.2	6.4
Accruals	74.6	166.7	5.5	13.0
Deferred income	134.5	126.7	–	–
Amounts owed to joint ventures	3.0	2.3	–	–
Loans from Group undertakings	–	–	812.0	589.9
Total current trade and other payables	**319.5**	364.3	**823.7**	609.3
Non-current trade and other payables	23.6	17.4	–	–
Total trade and other payables	**343.1**	381.7	**823.7**	609.3

Capital accruals 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.

30. Provisions

Accounting policy

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.

Group	2014 £m	2013 £m
At the beginning of the year	**7.0**	8.6
Charged to income statement for the year	**0.4**	5.2
Utilised in the year	**(1.7)**	(4.0)
Released to the income statement in the year	**(2.1)**	(1.3)
Reclassified to accruals	**–**	(1.5)
At 31 March	**3.6**	7.0
Included in the balance above, the following amounts are anticipated to be utilised within one year:	**3.6**	6.7

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

Section 6 – Other required disclosures

This section gives further disclosure in respect of other areas of the financial statements, together with mandatory disclosures required in accordance with IFRSs.

31. Loan investments

Accounting policy

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.

			2014			2013
Group	**Real estate secured loan notes £m**	**Loans to third parties £m**	**Total £m**	Real estate secured loan notes £m	Loans to third parties £m	Total £m
At the beginning of the year	**–**	**50.0**	**50.0**	0.8	50.0	50.8
Redemptions	**–**	**–**	**–**	(0.8)	–	(0.8)
At 31 March	**–**	**50.0**	**50.0**	–	50.0	50.0

An external credit rating is not available for the counterparty to the loan investments, therefore the credit quality is assessed by reference to historical information about counterparty default rates. The relationship with the counterparty has been in place for more than six months, and there is no history of defaults. The loan investment is not past due and is therefore not impaired.

32. Investments in subsidiary undertakings

Accounting policy

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet, less any provision for impairment in value. In accordance with IFRIC 11 'IFRS 2 – Group and Treasury Share 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.

Company	**2014 £m**	2013 £m
At the beginning of the year	**6,180.7**	6,177.8
Capital contributions relating to share-based payments (note 35)	**5.5**	2.9
At 31 March	**6,186.2**	6,180.7

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:

	2014 Holding	2013 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 2014 will be appended to the Company's next annual return.

33. Redemption liabilities

Accounting policy

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 fair value; the value is reassessed at the balance sheet date and movements are recognised in the income statement.

Group	2014 £m	2013 £m
At the beginning of the year	**118.1**	–
Transfer from non-controlling interest	**–**	0.2
Transfer from other creditors	**–**	0.8
Arising on business combination	**–**	129.7
Acquisition of additional interest	**(104.1)**	(16.0)
Recapitalisation of non-wholly owned subsidiary	**15.0**	–
Distributions paid by subsidiary undertakings	**(2.0)**	(0.8)
Revaluation of redemption liabilities	**5.6**	4.2
At 31 March	**32.6**	118.1

The redemption liabilities are carried at fair value. The fair value of each component of the redemption liability is determined as the present value of the amount the Group would be required to pay to settle the liabilities (an exit price). The terms of each arrangement are different, but generally the fair value is calculated by reference to a metric within the underlying subsidiary's financial statements, typically net assets or investment property valuation. These inputs are not based on observable market data and therefore the redemption liabilities are considered to fall within Level 3 of the fair value hierarchy, as determined by IFRS 13.

In September 2013, the Group acquired an additional 35.6% holding in the X-Leisure Unit Trust (X-Leisure) for £104.1m, increasing the Group's holding from 59.4% to 95.0%. This has resulted in a partial utilisation of the redemption liability. The remaining redemption liability in respect of X-Leisure reflects the put option that remains in connection with the 5.0% of units in X-Leisure not held by the Group.

34. Net pension surplus

Accounting policy

Contributions to defined contribution schemes are charged to the income statement as incurred. 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. Net financing costs are recognised in the periods in which they arise and are included in interest income or expense. Re-measurement gains and losses arising from either experience differing from previous actuarial assumptions, or changes to those assumptions, are recognised immediately in other comprehensive income.

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

Group	2014 £m	2013 £m
Charge to operating profit	**2.2**	2.1

Defined benefit scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies (the Scheme) is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Scheme is operated under trust and as such, the trustees of the Scheme are responsible for operating the Scheme and they have a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme, and UK legislation (including Trust law). The Trustees and the Group have the joint power to set the contributions that are paid to the Scheme.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

34. Net pension surplus continued

In setting contributions to the Scheme, the Trustees and the Group are guided by the advice of 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 LLP. This valuation was updated to 31 March 2014 using, where required, assumptions prescribed by IAS 19, 'Employee Benefits'. The next full actuarial valuation will be performed as at 30 June 2015.

As a result of the 30 June 2012 valuation, the Trustees and the Group agreed that, in order to address the deficit at that time, a combined employee and employer contribution rate of 44% of pensionable salary would be paid, together with additional employer contributions of £4m per annum, for a period of six years commencing on 1 July 2013. Subsequent to March 2014, the Group and the Trustees have agreed a new schedule of contributions with the effect that employer deficit reduction contributions will cease from June 2014. In addition, the Group has increased the monthly contributory salary payments to 37.8% of pensionable salary although this will decrease to 36.3% after 30 September 2014.

Since December 2013, employee contributions have been paid by salary sacrifice, and therefore now appear as Group contributions. In the year ended 31 March 2014 employee contributions were 6.5% of monthly pensionable salary. Employee contributions will increase to 8.0% of monthly pensionable salary after 30 September 2014. The Group expects to make employer contributions of around £1.9m to the Scheme in the year to 31 March 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.

Analysis of the amounts charged to the income statement

Group	2014 £m	2013 £m
Analysis of the amount charged to operating profit		
Current service cost	**0.8**	1.1
Scheme administrative costs	**0.2**	–
Charge to operating profit	**1.0**	1.1
Analysis of amount credited to interest expense		
Interest income on plan assets	**(8.3)**	(8.6)
Interest on defined benefit scheme liabilities	**7.9**	7.8
Net credit to interest expense	**(0.4)**	(0.8)

On 1 April 2013, an amendment to IAS 19 'Employee Benefits' was adopted by the Group (note 3), at which point the finance income on assets has been calculated with reference to the discount rate and not the expected rate of return on scheme assets. In accordance with IAS 19R, pension interest for the current year has been calculated and presented on a net basis. The corresponding balances in the prior year have been re-presented to align the presentation but have not been adjusted as the impact is not considered to be material.

Analysis of the amounts recognised in other comprehensive income

Group	2014 £m	2013 £m
Analysis of gains and losses		
Net re-measurement (losses)/gains on scheme assets	**(4.6)**	22.1
Net re-measurement losses on scheme liabilities	**(3.2)**	(18.2)
Re-measurement (losses)/gains	**(7.8)**	3.9
Cumulative re-measurement losses recognised in other comprehensive income	**(48.4)**	(40.6)

The net surplus recognised in respect of the defined benefit scheme can be analysed as follows:

Group	2014 %	2014 £m	2013 %	2013 £m
Equities	**36**	**71.3**	34	66.4
Bonds – Government	**27**	**52.4**	29	56.2
Bonds – Corporate	**25**	**48.8**	24	46.3
Insurance contracts	**11**	**22.5**	12	23.1
Cash and cash equivalents	**1**	**1.0**	1	0.8
Fair value of scheme assets	**100**	**196.0**	100	192.8
Fair value of scheme liabilities		**(193.7)**		(186.9)
Net pension surplus		**2.3**		5.9

Insurance contracts are unquoted assets. All other scheme assets have quoted prices in active markets. The scheme assets do not include any directly owned financial instruments issued by the Group. Indirectly owned financial instruments had a fair value of **£0.1m** (2013: £0.1m).

34. Net pension surplus continued

The defined benefit scheme liabilities are split 13% in respect of active scheme participants, 31% in respect of deferred scheme participants, and 56% in respect of retirees. The weighted average duration of the defined benefit scheme liabilities at 31 March 2014 is 16.9 years.

The assumptions agreed with the Trustees of the Scheme for the triennial valuation at 30 June 2012 have been restated to the assumptions described by IAS 19 'Employee Benefits'. The major assumptions used in the valuation were (in nominal terms):

Group	2014 %	2013 %
Rate of increase in pensionable salaries	**3.60**	3.50
Rate of increase in pensions in payment	**3.60**	3.50
Discount rate	**4.25**	4.30
Inflation – Retail Price Index	**3.60**	3.50
– Consumer Price Index	**2.80**	2.70

The mortality assumptions used in this valuation were:

Group	2014 Years	2013 Years
Life expectancy at age 60 for current pensioners – Men	**31.1**	30.9
– Women	**32.3**	32.2
Life expectancy at age 60 for future pensioners (current age 40) – Men	**33.9**	33.7
– Women	**34.2**	34.0

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below. These were calculated using approximate methods taking into account the duration of the Scheme's liabilities.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 1.6% or £3.1m
Rate of mortality	Increase by 1 year	Increase by 3.0% or £5.8m

In order to reduce risk within the Scheme, 10% of the Scheme's assets are invested in annuities that match the liabilities of some pensioners. The bonds that the Group holds are designed to match a significant proportion of the Scheme's liabilities. Since the year end, the Group has agreed with the Trustees to move half of the remaining equities into government bonds and liability-driven investment funds that match the liabilities more closely.

The Company did not operate any defined contribution schemes or defined benefit schemes during the financial year ended 31 March 2014 or in the previous financial year.

35. Share-based payments

Accounting policy

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 Total Shareholder Return (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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

35. Share-based payments continued

The total cost recognised in the income statement was **£5.5m** in the year ended 31 March 2014 (2013: £2.9m). The following table analyses the total cost among each of the relevant schemes, together with the number of options outstanding.

		Outstanding at 31 March		
	2014 Charge £m	**2014 Number (millions)**	2013 Charge £m	2013 Number (millions)
Long-term incentive plan	**3.3**	**2.1**	2.2	2.4
Deferred bonus share scheme	**1.4**	**0.2**	0.1	0.2
Conditional shares	**0.1**	**–**	0.1	–
Executive share option schemes	**0.5**	**2.7**	0.4	3.2
Savings related share option schemes	**0.2**	**0.4**	0.1	0.5
	5.5	**5.4**	2.9	6.3

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 60 to 76.

Executive schemes:

Long-term incentive plan (LTIP)

The 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 **938p** (2013: 761p). The estimated fair value of awards granted during the year under the scheme was **£4.1m** (2013: £3.7m).

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 one to 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. The weighted average share price at the date of vesting during the year was **960p**. No deferred shares vested during the prior year. The estimated fair value of awards granted during the year under the scheme was **£1.4m** (2013: £0.4m).

Conditional shares

23,641 shares were granted to an employee on their appointment in July 2010. The awards vested in July 2013 leaving no conditional shares outstanding at 31 March 2014. In the prior year, the 160,000 final conditional shares granted to R Noel on his appointment on 1 January 2010 vested. The share price at the date of vesting during the year was **944p** (2013: 744p).

Other schemes:

Executive share option schemes (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 after three years and are not subject to performance conditions. Options are satisfied by the transfer of shares from the ESOT. Options lapse 10 years after the date of grant. The weighted average share price at the date of exercise for shares exercised during the year was **960p** (2013: 698p). The estimated fair value of options granted during the year under the scheme was **£0.5m** (2013: £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 administered by Equiniti. 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 **951p** (2013: 800p). The estimated fair value of options granted during the year under the scheme was **£0.1m** (2013: £0.2m).

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

35. Share-based payments continued

The aggregate number of awards and options outstanding, and the weighted average exercise price of the options, are shown below:

	Executive schemes[1]		Other schemes			
	Number of awards		Number of options		Weighted average exercise price	
	2014 Number (millions)	2013 Number (millions)	2014 Number (millions)	2013 Number (millions)	2014 Pence	2013 Pence
At the beginning of the year	**2.6**	2.4	**3.7**	4.1	**764**	702
Granted	**1.1**	1.1	**0.7**	0.9	**906**	732
Exercised	**(0.9)**	(0.7)	**(1.0)**	(1.0)	**608**	467
Forfeited	**(0.5)**	(0.2)	**(0.2)**	(0.2)	**877**	805
Lapsed	**–**	–	**(0.1)**	(0.1)	**863**	827
At 31 March	**2.3**	2.6	**3.1**	3.7	**834**	764
Exercisable at the end of the year	**–**	–	**1.0**	1.2	**943**	934
	Years	Years	**Years**	Years		
Weighted average remaining contractual life	**1.4**	1.4	**5.9**	6.1		

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:

	Outstanding at 31 March 2014			Outstanding at 31 March 2013		
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[1]	**–**	**2.3**	**1.4**	–	2.6	1.4
200–399	**388**	**0.1**	**0.9**	388	0.2	1.9
400–599	**530**	**0.6**	**4.6**	527	1.4	6.2
600–799	**740**	**0.7**	**7.2**	736	0.7	7.8
800–999	**874**	**1.1**	**8.3**	828	0.6	8.3
1,000–1,199	**1,075**	**0.4**	**2.8**	1,071	0.5	3.4
1,200–1,399	**1,280**	**0.1**	**1.3**	1,282	0.1	2.3
1,400–1,565	**1,563**	**0.1**	**3.0**	1,563	0.2	3.9

1. 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:

	LTIP	Deferred Bonus Shares	Conditional Shares	2002 ESOS	2005 ESOS	Savings Related Share Option Scheme
Range of share prices at grant date	777p to 921p	728p to 921p	588p	1,159p	469p to 1,565p	485p to 1,715p
Range of exercise prices	n/a	n/a	n/a	1,159p	469p to 1,565p	388p to 1,523p
Expected volatility	20%	20%	22%	19%	19% to 22%	19% to 22%
Expected life	3 years	1 to 3 years	3 years	3 to 5 years	2.3 to 5 years	3 to 7 years
Risk-free rate	0.35% to 1.43%	0.33% to 1.43%	1.21%	5.02% to 5.10%	0.35% to 5.67%	0.35% to 4.71%
Expected dividend yield	3.32% to 3.81%	nil to 3.48%	4.77%	4.23%	2.97% to 6.53%	3.09% to 5.98%

Expected volatility is determined by calculating the historic volatility of the Group's share price over the previous 10 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.

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 LTIP which were granted after 31 March 2009 include a TSR condition, which is a market-based condition. The inputs into this model for each scheme are as follows:

	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 LTIP	777p – 921p	n/a	20%	20%	85%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014 continued

36. Ordinary share capital

Accounting policy

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 purchased 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.

	Allotted and fully paid	
Group and Company	**2014 £m**	2013 £m
Ordinary shares of 10p each	**79.9**	79.2

	Number of shares	
	2014	2013
At the beginning of the year	**792,070,935**	785,141,158
Issued on the exercise of options	**199,556**	330,649
Issued in lieu of cash dividends	**6,889,876**	6,599,128
At 31 March	**799,160,367**	792,070,935

The number of options over ordinary shares that were outstanding at 31 March 2014 was **3,114,814** (2013: 3,742,923). If all the options were exercised at that date then **588,517** new ordinary shares (2013: 807,761 new ordinary shares) would be issued and **2,526,297** shares would be required to be transferred from the ESOT (2013: 2,941,162).

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 2014, no ordinary shares (2013: 4,599,131) were acquired to be held as treasury shares. At 31 March 2014 the Group held **10,495,131** ordinary shares (2013: 10,495,131) with a market value of **£108.5m** (2013: £87.0m) in treasury.

37. Own shares

Group	**2014 £m**	2013 £m
At the beginning of the year	**7.7**	17.8
Purchase of ordinary shares	**16.3**	0.5
Transfer of shares to employees on exercise of share options	**(14.8)**	(10.6)
At 31 March	**9.2**	7.7

Own shares consist of shares in Land Securities Group PLC held by the 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 2014 was **1,031,952** (2013: 1,031,237). The market value of these shares at 31 March 2014 was **£10.7m** (2013: £8.5m).

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.

39. 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	**2014 £m**	2013 £m
Transactions with subsidiary undertakings:		
Recharge of costs	**(187.7)**	(212.9)
Dividends received	**–**	350.0
Interest paid	**(39.9)**	(45.7)

At 31 March 2014, the Company had a net outstanding balance of **£812.0m** (2013: £584.4m) due to subsidiary undertakings.

39. Related party transactions continued

Joint ventures

As disclosed in note 16, 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 2014				Year ended and as at 31 March 2013			
Group	Income/ (expense) £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m	Income/ (expense) £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
20 Fenchurch Street Limited Partnership	**10.5**	**60.5**	**15.7**	**–**	5.7	52.9	6.0	(0.1)
Nova, Victoria[1]	**10.2**	**40.7**	**15.6**	**–**	8.1	11.5	7.1	–
Metro Shopping Fund Limited Partnership	**0.1**	**(0.8)**	**0.4**	**–**	0.1	0.8	0.7	–
Buchanan Partnership	**4.4**	**(3.4)**	**0.6**	**–**	4.4	(4.4)	0.8	–
St. David's Limited Partnership	**1.2**	**(10.0)**	**–**	**–**	1.4	21.8	0.3	–
Bristol Alliance Limited Partnership	**1.1**	**(16.1)**	**0.4**	**(0.1)**	1.1	(14.7)	0.2	–
Harvest[2]	**1.8**	**13.3**	**1.6**	**(0.4)**	1.2	(41.0)	0.6	–
The Oriana Limited Partnership	**0.2**	**–**	**0.1**	**–**	0.1	(4.5)	0.1	(0.5)
The Scottish Retail Property Limited Partnership	**1.9**	**(2.7)**	**–**	**–**	2.3	57.5	0.5	(0.1)
Westgate Oxford Alliance Limited Partnership	**0.8**	**3.1**	**0.1**	**–**	0.9	(0.2)	0.6	–
The Martineau Galleries Limited Partnership	**0.2**	**(0.4)**	**–**	**–**	0.2	(0.7)	0.1	–
The Ebbsfleet Limited Partnership	**0.1**	**0.4**	**–**	**–**	–	–	–	–
Millshaw Property Co. Limited	**(0.4)**	**–**	**–**	**(11.5)**	(0.8)	–	–	(11.2)
Countryside Land Securities (Springhead) Limited	**–**	**0.6**	**–**	**–**	0.1	(1.7)	1.2	–
The Martineau Limited Partnership	**–**	**–**	**–**	**–**	–	(0.2)	–	–
West India Quay Unit Trust	**0.1**	**(1.7)**	**0.3**	**(2.2)**	–	(0.5)	–	(1.6)
	32.2	**83.5**	**34.8**	**(14.2)**	24.8	76.6	18.2	(13.5)

1. Nova, Victoria includes the Victoria Circle Limited Partnership and Nova Residential Limited Partnership.
2. Harvest includes The Harvest Limited Partnership and Harvest Two Limited Partnership.

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 60 to 76.

	2014 £m	2013 £m
Short-term employee benefits	**5.0**	4.3
Share-based payments	**3.2**	1.6
	8.2	5.9

40. Operating lease arrangements

Accounting policy

The Group earns rental income by leasing its investment and operating properties to tenants under non-cancellable operating leases. 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. At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments:

	2014 £m	2013 £m
Not later than one year	**485.0**	486.5
Later than one year but not more than five years	**1,867.7**	1,918.9
More than five years	**3,261.5**	3,371.1
	5,614.2	5,776.5

The total of contingent rents recognised as income during the year was **£38.9m** (2013: £39.5m).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014 continued

41. Business combinations

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 41.8% holding. Prior to the acquisition, the Group held 92.5m units in X-Leisure (a 12.0% holding), which was recorded within 'Other investments'. As a result of this transaction, the Group's holding in X-Leisure increased to 53.8%. The acquisition increased 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 was therefore accounted for as a business combination in the year ended 31 March 2013.

The fair value of the consideration paid to acquire the 41.8% holding was £112.0m, being the cash consideration. The previously held interest was re-measured to fair value at the acquisition date. As a result of this, a gain of £2.3m was recognised in other comprehensive income and recycled to the income statement in the prior year.

The fair value of the assets and liabilities recognised at the date of acquisition is set out in the table below:

Group	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 recognised in year ended 31 March 2013	2.4

The fair value of the consideration, the redemption liability and the previously held interest were less than the value of the identifiable assets and, as a result, a gain of £2.4m was recognised in the income statement on acquisition within net gain on business combination. Also included within this line were 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 was £6.0m and included trade receivables with a fair value of £2.7m. The gross contractual amount for trade receivables due was £3.9m, of which £1.2m was expected to be uncollectable.

In September 2013, the Group acquired an additional 35.6% holding in X-Leisure for £104.1m, increasing the Group's holding from 59.4% to 95.0%. Additionally, in the year the Group has reassessed the fair value of certain assets recognised as part of the business combination resulting in the recognition of an increase to the net gain on business combination of £5.0m in the current year.

Pro-forma information

During the year ended 31 March 2013 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 for the year ended 31 March 2013, 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 Land Securities' 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.

ADDITIONAL INFORMATION

BUSINESS ANALYSIS

A closer look at some of our key performance areas.

For more information go to: pages 134–147

FIVE YEAR SUMMARY

The Group's financial performance since 2010.

For more information go to: pages 148–149

INVESTOR INFORMATION

Useful dates and contact details for shareholders.

For more information go to: pages 150–151

Additional information
Further analysis of our business and practical information for shareholders.

BUSINESS ANALYSIS – GROUP

For more information about our combined portfolio go to: pages 28–31

One year performance relative to IPD

Table 64

Total property returns – year to 31 March 2014	Land Securities %	IPD[1] %
Retail – Shopping centres	8.1	7.7
– Retail warehouses	8.5[2]	8.9
Central London shops	24.1	24.3
Central London offices	15.6[3]	20.6
Total portfolio[4]	**12.8**	**13.6**

1. IPD Quarterly Universe. 2. Including supermarkets. 3. Including inner London offices. 4. Including leisure and hotel portfolio and other.

Combined portfolio value by location at 31 March 2014

Table 65

	Shopping centres and shops %	Retail warehouses %	Offices %	Hotels, leisure, residential and other %	Total %
Central, inner and outer London	14.1	0.1	42.5	3.8	60.5
South East and East	4.3	4.6	–	3.1	12.0
Midlands	–	1.3	–	1.0	2.3
Wales and South West	5.8	0.6	–	0.3	6.7
North, North West, Yorkshire and Humberside	8.3	2.6	0.1	2.5	13.5
Scotland and Northern Ireland	3.2	1.1	–	0.7	5.0
Total	**35.7**	**10.3**	**42.6**	**11.4**	**100.0**

% figures calculated by reference to the combined portfolio value of £11.9bn.

Total shareholder returns[1]

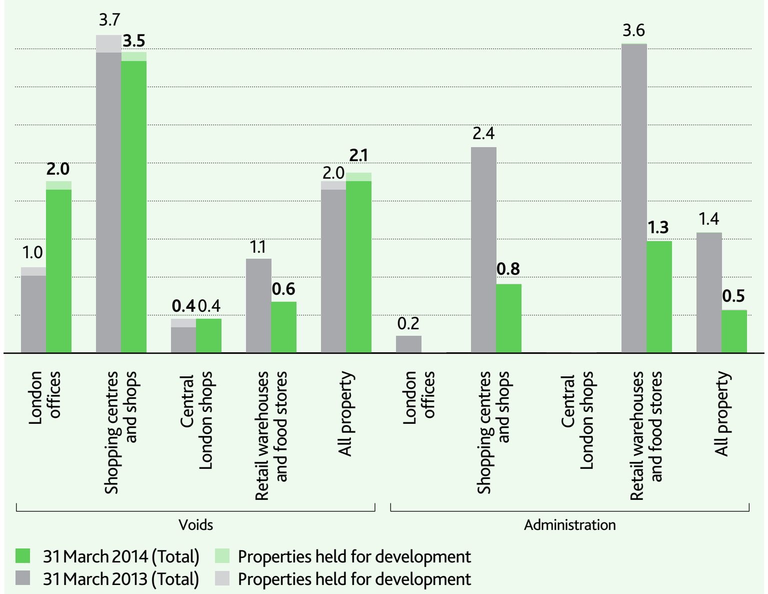
Table 66

	Over one year to 31 March 2014 (£)
Land Securities	**127.2**
FTSE 100	**106.7**
FTSE 350 Real Estate Index	**127.4**

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

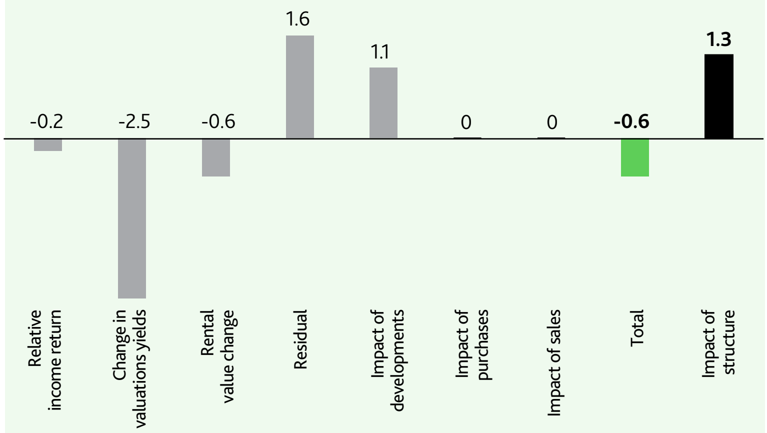
Voids and units in administration like-for-like portfolio (%)

Chart 67



Analysis of performance relative to IPD (%)

Chart 68



Attribution analysis, ungeared total return, 12 months to 31 March 2014, relative to IPD Quarterly Universe.
Source: IPD

For more information go to:
pages 92–93

Reconciliation of segment reporting to statutory reporting

Table 69

The table below reconciles the Group's income statement to the segment note. The Group's income statement is prepared using the equity accounting method for joint ventures and includes 100% of the results of the Group's non-wholly owned subsidiaries. The segment note is prepared on a proportionately consolidated basis and excludes the non-wholly owned share of the Group's subsidiaries, which is consistent with the financial information reviewed by management.

						31 March 2014
£m	Group income statement	Joint ventures[1]	Proportionate share of earnings[2]	Total	Revenue profit	Non-revenue profit items
Rental income	569.4	75.3	(10.6)	**634.1**	634.1	–
Finance lease interest	10.9	0.2	(0.2)	**10.9**	10.9	–
Gross rental income (before rents payable)	**580.3**	**75.5**	**(10.8)**	**645.0**	**645.0**	**–**
Rents payable	(11.8)	(1.9)	0.1	**(13.6)**	(13.6)	–
Gross rental income (after rents payable)	**568.5**	**73.6**	**(10.7)**	**631.4**	**631.4**	**–**
Service charge income	86.6	9.6	(2.1)	**94.1**	94.1	–
Service charge expense	(89.0)	(10.9)	2.4	**(97.5)**	(97.5)	–
Net service charge (expense)/ income	(2.4)	(1.3)	0.3	**(3.4)**	(3.4)	–
Other property related income	34.8	1.4	0.6	**36.8**	36.8	–
Direct property expenditure	(58.6)	(13.0)	0.8	**(70.8)**	(70.8)	–
Net rental income	**542.3**	**60.7**	**(9.0)**	**594.0**	**594.0**	**–**
Indirect expenses	(84.6)	(2.9)	0.2	**(87.3)**	(87.3)	–
Other income	3.6	–	–	**3.6**	3.6	–
	461.3	**57.8**	**(8.8)**	**510.3**	**510.3**	**–**
Profit on disposal of long-term development contracts	–	1.0	–	**1.0**	–	1.0
Profit on disposal of trading properties	1.9	0.5	–	**2.4**	–	2.4
Profit on disposal of investment properties	15.6	0.4	–	**16.0**	–	16.0
Profit on disposal of investments in joint ventures	2.5	–	–	**2.5**	–	2.5
Net surplus on revaluation of investment properties	606.6	155.4	1.8	**763.8**	–	763.8
Impairment release/(charge) on trading properties	5.3	(0.3)	–	**5.0**	–	5.0
Operating profit	**1,093.2**	**214.8**	**(7.0)**	**1,301.0**	**510.3**	**790.7**
Interest expense	(216.9)	(22.7)	4.1	**(235.5)**	(215.9)	(19.6)
Interest income	25.2	–	–	**25.2**	25.2	–
Fair value movement on interest-rate swaps	12.5	4.8	(2.1)	**15.2**	–	15.2
Revaluation of redemption liabilities	(5.6)	–	5.0	**(0.6)**	–	(0.6)
Net gain on business combination	5.0	–	–	**5.0**	–	5.0
	913.4	**196.9**	**–**	**1,110.3**	**319.6**	**790.7**
JV tax adjustment	–	(1.1)	–	**(1.1)**	–	(1.1)
JV net liability adjustment	–	(0.3)	–	**(0.3)**	–	(0.3)
Share of post-tax profit from joint ventures	195.5	(195.5)	–	**–**	–	–
Profit before tax	**1,108.9**	**–**	**–**	**1,108.9**	**319.6**	**789.3**
Income tax	7.7	–	–	**7.7**	–	7.7
Profit for the year	**1,116.6**	**–**	**–**	**1,116.6**	**319.6**	**797.0**

1. Reallocation of the share of post-tax profit from joint ventures reported in the Group income statement to the individual line items reported in the segment note.
2. Removal of the share of results of the Group's non-wholly owned subsidiaries. These subsidiaries are consolidated at 100% in the Group income statement, but only the Group's share is included in revenue profit reported in the segment note.

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 70 below.

REIT balance of business

Table 70

	For the year ending 31 March 2014			For the year ending 31 March 2013		
	Tax-exempt business	Residual business	Adjusted results	Tax-exempt business	Residual business	Adjusted results
Profit before tax (£m)	**293.0**	**12.0**	**305.0**	261.7	49.6	311.3
Balance of business – 75% profits test	**96.1%**	**3.9%**		84.1%	15.9%	
Adjusted total assets (£m)	**11,622.1**	**838.4**	**12,460.5**	11,247.3	703.4	11,950.7
Balance of business – 75% assets test	**93.3%**	**6.7%**		94.1%	5.9%	

BUSINESS ANALYSIS – GROUP

To read our Financial Review go to: pages 24–27

Cost analysis

Table 71

Gross rental income (after rents payable)	631.4
Net service charge expense	(3.4)
Direct property expenditure	(34.0)
Net rental income	**594.0**
Indirect costs	(47.2)
Segment profit before interest	**546.8**
Unallocated expenses (net)	(36.5)
Net interest – Group	(168.0)
Net interest – joint ventures	(22.7)
Revenue profit	**319.6**

Direct property costs	£37.4m
Indirect expenses	£83.7m
Total	**£121.1m**
Total cost ratio[1]	**18.8%**

	Year ended 31 March 2014 Total £m	Year ended 31 March 2014 Cost ratio %[1]	Year ended 31 March 2013 Total £m	Year ended 31 March 2013 Cost ratio %[1]
Managed operations	**9.7**	**1.5**	9.4	1.6
Tenant defaults	**5.3**	**0.8**	8.3	1.4
Void related costs	**11.7**	**1.9**	12.5	2.1
Other direct property costs	**3.9**	**0.6**	9.4	1.6
Development expenditure	**25.9**	**4.0**	17.8	2.9
Asset management, administration and compliance	**64.6**	**10.0**	61.6	10.2
Total	**121.1**	**18.8**	**119.0**	**19.7**

1. All percentages represent costs divided by gross rental income including finance lease interest, before rents payable.

EPRA performance measures

Table 72

	Definition for EPRA measure	Notes	31 March 2014 Land Securities measure	31 March 2014 EPRA measure
Adjusted earnings	Recurring earnings from core operational activity[1]	11	**£319.1m**	**£300.5m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares[1]	11	**40.7p**	**38.3p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares[1]	11	**40.5p**	**38.2p**
Adjusted net assets	Net asset value adjusted to exclude fair value movements on interest-rate swaps[2]	10	**£8,008.7m**	**£8,421.9m**
Adjusted diluted net assets per share	Adjusted diluted net assets per share[2]	10	**1,013p**	**1,065p**
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	10	**£7,529.2m**	**£7,529.2m**
Diluted triple net assets per share	Diluted triple net assets per share	10	**952p**	**952p**
Net Initial Yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[3]		**4.4%**	**5.2%**
Topped-up NIY	NIY adjusted for rent free periods[3]		**5.0%**	**5.5%**
Voids/Vacancy Rate	ERV of vacant space as a % of ERV of combined portfolio excluding the development programme[4]		**2.1%**	**2.0%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)[5]		**18.8%**	**19.2%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)[5]		**n/a**	**17.3%**

Refer to notes 10 and 11 and table 96 for further analysis.

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the effect of bond exchange de-recognition charges of £19.6m.
2. EPRA adjusted net assets and adjusted diluted net assets per share include the bond exchange de-recognition adjustment of £413.2m.
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.
5. The EPRA cost ratio is calculated based on gross rental income after rents payable, whereas our measure is based on gross rental income before rents payable. We do not calculate a cost ratio excluding direct vacancy costs as we do not consider this to be helpful. For further information on our costs and cost ratio see table 71.

Reconciliation of net book value of the investment properties to the market value

Table 73

	As at 31 March 2014 Group (excl. joint ventures) £m	As at 31 March 2014 Adjustment for proportionate share[1] £m	As at 31 March 2014 Joint ventures £m	As at 31 March 2014 Total £m	As at 31 March 2013 Group (excl. joint ventures) £m	As at 31 March 2013 Adjustment for proportionate share[1] £m	As at 31 March 2013 Joint ventures £m	As at 31 March 2013 Total £m
Net book value	**9,847.7**	**(28.7)**	**1,571.4**	**11,390.4**	9,651.9	(233.2)	1,577.5	10,996.2
Plus: tenant lease incentives	**251.9**	**(0.2)**	**27.9**	**279.6**	238.0	(0.2)	35.5	273.3
Less: head leases capitalised	**(30.1)**	**0.2**	**(3.0)**	**(32.9)**	(28.7)	1.9	(4.6)	(31.4)
Plus: properties treated as finance leases	**219.3**	**(1.1)**	**4.1**	**222.3**	212.0	(8.5)	4.8	208.3
Market value	**10,288.8**	**(29.8)**	**1,600.4**	**11,859.4**	10,073.2	(240.0)	1,613.2	11,446.4

1. This represents the 5.0% (2013: 40.6%) interest in X-Leisure we do not own but is consolidated in the Group numbers.

Top 12 occupiers at 31 March 2014

Table 74

	% of Group rent[1]
Accor	4.8
Central Government (including Queen Anne's Gate, SW1)[2]	4.7
Deloitte	2.6
Primark	2.2
Arcadia Group	1.8
Boots	1.7
Sainsbury's	1.6
Bank of New York Mellon	1.4
Next	1.3
Taylor Wessing	1.3
K&L Gates	1.2
Lloyds Banking Group PLC	1.0
	25.6

1. On a proportionate basis.
2. Rent from Central Government excluding Queen Anne's Gate, SW1 is 0.1%.

Calculation of required property income distribution (PID)

Table 77

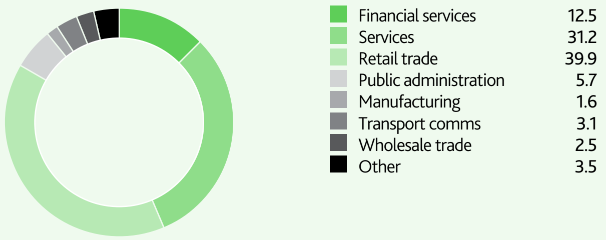
	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Profit before tax per accounts	**1,108.9**	533.0
Adjustment to exclude		
Net surplus on revaluation of investment properties	**(763.8)**	(217.5)
Profit on disposal of investment properties	**(16.0)**	1.6
Profit on disposal of trading properties	**(2.4)**	(38.0)
Profit on long-term development contracts	**(1.0)**	(0.1)
Release of impairment of trading properties	**(5.0)**	(3.1)
Interest income	**(25.2)**	(32.5)
Fair value movement on interest-rate swaps	**(15.2)**	(3.2)
Net gain on business combination	**(5.0)**	(1.4)
Adjustment for proportionate share of results	**(5.0)**	(3.8)
Fair value movement on redemption liability	**5.6**	4.5
Profit on disposal of other investments	**–**	(1.6)
Joint venture accounting adjustments	**0.3**	(0.3)
	276.2	237.6
Tax adjustments		
Capital allowances	**(40.5)**	(48.0)
Capitalised interest	**(18.3)**	(25.6)
Other	**2.9**	28.5
Estimated tax exempt income for year	**220.3**	192.5
PID thereon (90%)	**198.3**	173.3
PID dividends paid in the year	**175.4**	178.4

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 requirements of previous periods.

For more information about our dividend go to: page 26

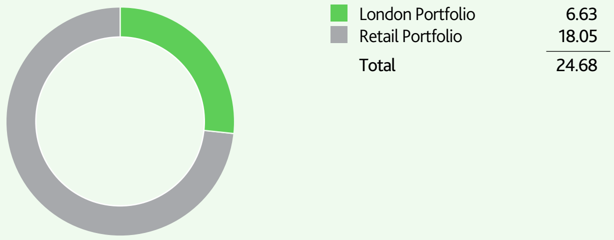
Contracted rental income breakdown by tenant business sector

Chart 75



Floor space (million sq ft)

Chart 76



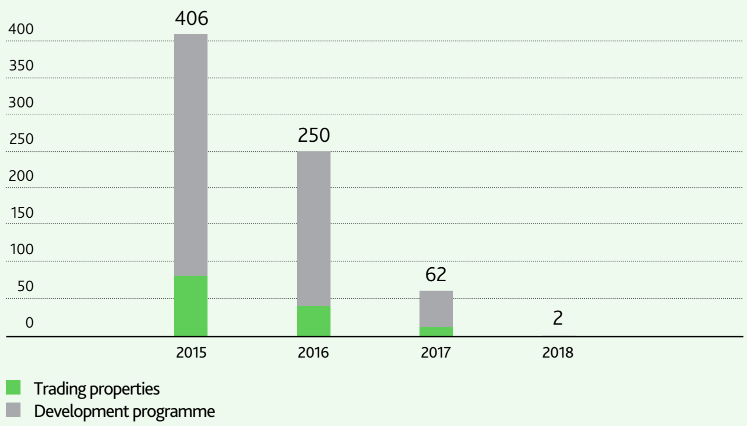
Portfolio by value and number of property holdings at 31 March 2014

Table 78

£m	Value %	Number of properties
0–9.99	1.7	55
10–24.99	3.1	22
25–49.99	7.8	25
50–99.99	14.7	24
100–149.99	13.7	13
150–199.99	8.4	6
200+	50.6	15
Total	**100.0**	**160**

Committed development – estimated future spend (£m)

Chart 79



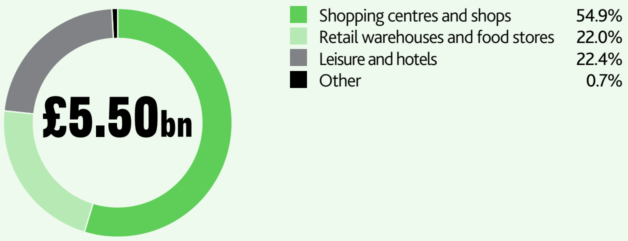
Estimated future spend includes the cost of residential space but excludes interest.

For more information about our development pipeline go to: pages 16–17 and 146

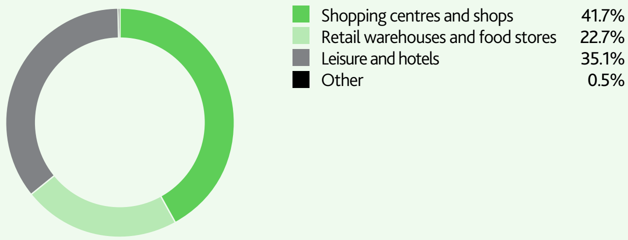
BUSINESS ANALYSIS – RETAIL

To read our Retail Portfolio Review go to: pages 28–29

Retail Portfolio valuation % — Chart 80



Retail Portfolio floorspace (18.05 million sq ft) % — Chart 81



Shopping centres and shops

Comprises our portfolio of 22 shopping centres in major retail locations across the UK including Trinity Leeds, Gunwharf Quays, Portsmouth and Buchanan Galleries in Glasgow.

Retail warehouses and food stores

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 95% 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 77 years, with 12 yearly tenant break clauses. Rent is set as a percentage of each hotel's turnover.

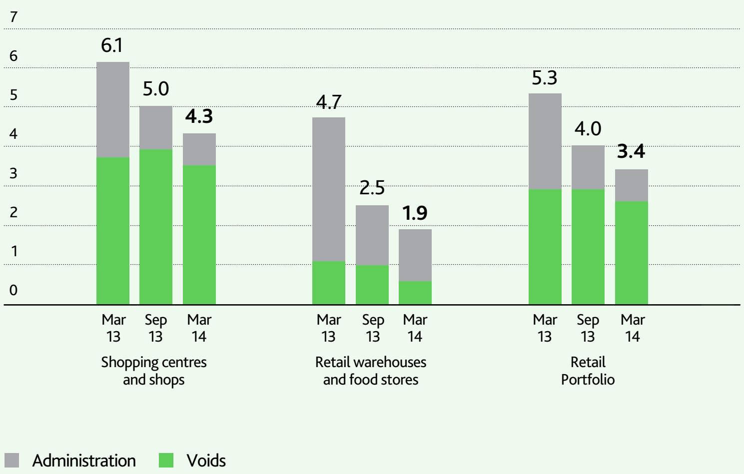
Top 10 retail tenants — Table 82

	% of Group rent[1]
Primark	2.2
Arcadia Group	1.8
Boots	1.7
Sainsbury's	1.6
Next	1.3
M&S	1.0
Dixons Retail	0.9
Debenhams	0.9
H&M	0.9
Home Retail Group	0.9
	13.2
Retail other (excluding Accor)	40.6
Total	**53.8**

1. On a proportionate basis.

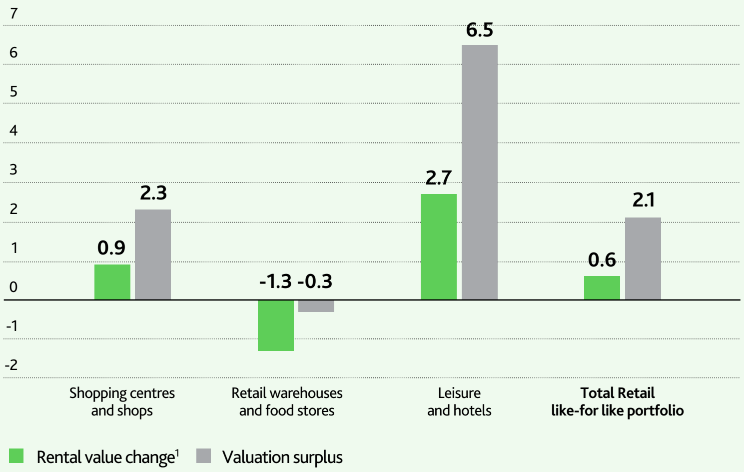
Voids and units in administration — Chart 83

Like-for-like Retail Portfolio %
12 months ended 31 March 2014



Rental and capital value trends — Chart 84

Like-for-like Retail Portfolio %
12 months ended 31 March 2014

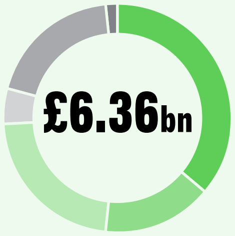


[1] Rental value change excludes units materially altered during the period.

BUSINESS ANALYSIS – LONDON

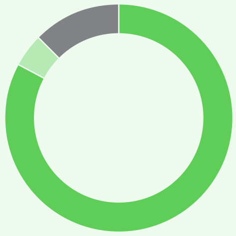
To read our London Portfolio Review go to: pages 30–31

London Portfolio valuation % — Chart 85



West End	36.3%
Mid-town	15.6%
City	22.4%
Inner London	5.0%
Central London shops	19.2%
Other	1.5%

London Portfolio floorspace (6.63 million sq ft) % — Chart 86



London offices	82.8%
Central London shops	4.7%
Other retail	12.5%

West End
Our £2.3bn 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 £1.4bn City office portfolio includes recently completed developments such as One New Change, EC4 and the development programme schemes including 20 Fenchurch Street, EC3 and 1 & 2 New Ludgate, EC4.

Inner London
Includes our assets at Docklands and Thomas More Square, E1.

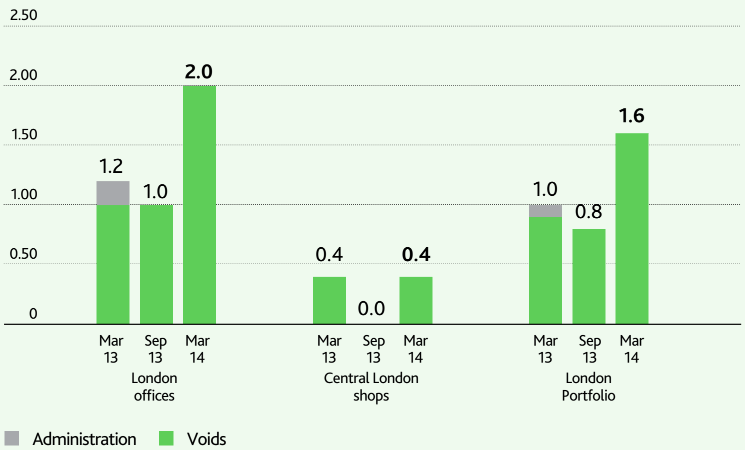
Central London shops
This segment comprises the retail space in our London Portfolio assets. The largest elements are the retail space at One New Change, EC4, Cardinal Place, SW1, and Piccadilly Lights, W1.

Top 10 office tenants — Table 87

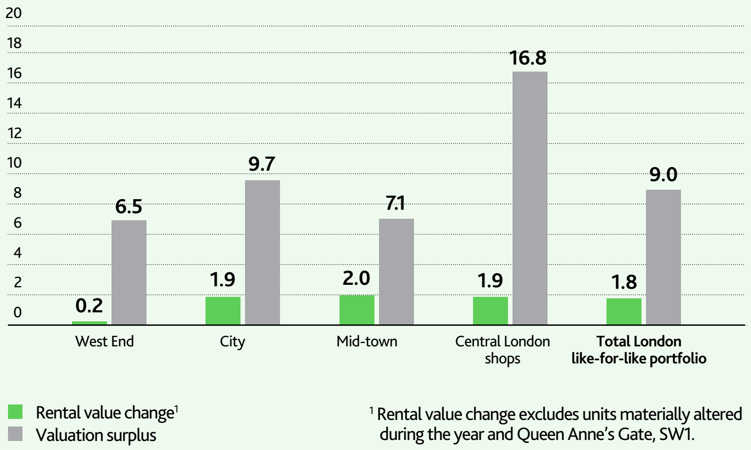
	% of Group rent[1]
Central Government (including Queen Anne's Gate, SW1)[2]	4.7
Deloitte	2.6
Bank of New York Mellon	1.4
Taylor Wessing	1.3
K&L Gates	1.2
Lloyds Banking Group Plc	1.0
EDF Energy	1.0
Redbus Interhouse	1.0
Microsoft	0.8
Bain & Co Inc	0.8
	15.8
Office other	17.4
Total	**33.2**

1. On a proportionate basis.
2. Rent from Central Government excluding Queen Anne's Gate, SW1 is 0.1%.

Voids and units in administration — Chart 88
Like-for-like London Portfolio %
12 months ended 31 March 2014



Rental and capital value trends — Chart 89
Like-for-like London Portfolio %
12 months ended 31 March 2014



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

SUSTAINABILITY AND RESPONSIBILITY

Performance against key targets 2014

To achieve high standards in sustainability and responsibility we report annually against a number of targets. Monitoring our performance in this way means we continue to make incremental progress as well as take bigger, more transformational steps. Once a target is achieved, and the CR Committee perceive the behaviours required to maintain performance are embedded through the business, it moves to a 'business as usual' watch list. We report against that list by exception.
The performance against our key targets is detailed below; a full list can be found in our CR Report (www.landsecurities.com/responsibility).

Performance against key targets 2014 — Table 90

Long-term target	Interim measure	Performance
Sustainable business		
To create a culture at Land Securities that values and actively promotes difference, by March 2018.	**Interim measure** Design and introduce diversity training to all Hiring Managers, by March 2014.	**Interim achieved, on track for long-term**
Maintain or increase 60% employee volunteering rate (for half day or more per year) but increase the proportion of those who provide skilled or professional advice or mentoring to 42% (of the 60%), by March 2014.		**Missed** 57% employees volunteered this year. 32% of volunteering activity can be classified as professional.
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.		**Missed** Responses in the latest survey are mixed. The majority recognise the important of CR but some investors still question its value.
Better environments		
Reduce normalised average CO_2e emissions from the like for like managed portfolio by 15% by 2020 (compared to 2010/11 baseline).	**Interim measure** 5% reduction in offices, shopping centres and retail parks.	**Partially achieved, on track for long term** Overall portfolio shows 16% reduction but emissions by portfolio differ. London offices: increased by 7% Shopping centres: reduced by 33% Retail parks: reduced by 8%
Reduce normalised water consumption from the like-for-like managed portfolio by 10% by 2016 (compared to 2010/11 baseline).		**Missed** Overall portfolio shows 9% increase but consumption by portfolio differs. London offices: increased by 15% Shopping centres: increased by 7% Retail parks: decreased by 78%
To 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.	**Interim measure** Portfolio average to maintain 90% landfill avoidance figure with at least 69% being reused or recycled by March 2014.	**Achieved one year ahead of target** 98% diverted 72% recycled
London Portfolio recycling rates – achieve 100% diverted from landfill and 70% reused or recycled. Ongoing.		**Partially achieved** We believed our high recycling rate to be 'business as usual' performance. However we report by exception as our recycling rates have decreased significantly. We believe this is due to more accurate measurement. 100% diverted 57% recycled
All new developments and major refurbishments to achieve a 'Very Good' rating under BREEAM (2011) or BREEAM Non-Domestic Refurbishment (when published), with an aspiration for 'Excellent' where reasonably practicable. Residential schemes to achieve Code for Sustainable Homes Level 4 or 'Very Good' under EcoHomes (Scotland) or BREEAM Domestic Refurbishment where applicable. Ongoing.		**Achieved**
Record zero environmental incidents. Ongoing.		**Achieved** No incidents recorded
Working towards zero, remain below industry benchmarks for reportable incidents for health and safety purposes on development sites and continue to reduce occurrence of incidents within our managed property portfolio. Ongoing.		**Achieved** Well below industry benchmark for reportable incidences. Our incident rate: 139.6 per 100,000 workers. Industry rate: 539.0 per 100,000 workers.

Performance against key targets 2014 continued

Table 90

Long-term target	Interim measure	Performance
Stronger communities		
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.		**Partially achieved** We do report annually to local authorities, but not in a systematic, consistent way. The launch of our Impact Reporting programme will ensure reports are consistent moving forward.
Deliver the London Employment Strategy across the development pipeline and introduce to some managed portfolio service partners by March 2014.		**Achieved** 14 existing, three new and five London Portfolio APSIRE partners are now on board.
Establish appropriate grant-giving funds in all communities where we have a significant development or shopping centre presence (based on giving thresholds set against centre size and development construction value).	**London:** To increase external donor contributions to Westminster Fund every year to 2014. **Retail:** A good number of schemes in place. Further review needed to determine potential and limitations of scheme.	**Achieved** Now 'business as usual'.

Additional performance highlights 2014

Throughout this report you will have discovered how our responsible approach is simply part of the way we do business. Our impact on the environment, and the way people interact with that environment, is considered at all stages of our property investment. And our responsibility for the socio-economic fabric of the areas in which we operate is fundamental to us being successful.

There are some additional disclosures we have not made throughout the body of this report, all of which support our core business and help us to become developer, partner and employer of choice.

Additional performance highlights 2014

Table 91

Activity	Detail	Performance
Benchmarking		
Carbon Disclosure Project (CDP)	Every year we work with CDP to disclose our greenhouse gas emissions. We were pleased to retain our position in the Leadership Index this year.	2013: disclosure 88/score B 2012: disclosure 92/score B 2011: disclosure 60/score D
Global Real Estate Sustainability Benchmark (GRESB)	GRESB is a global, industry driven organisation that assesses the sustainability performance of real estate portfolios.	2013: score 67% 2012: score 68%
Dow Jones Sustainability Index (DJSI)	DJSI assesses the long term social, environmental and economic impact of companies. Only those that lead their industries are included in the index.	We continue to retain our established position in the DJSI 2013: score 72 2012: score 70 2011: score 72
FTSE4Good	The FTSE4Good Index identifies companies that meet globally recognised corporate responsibility standards.	We continue to retain our established position in the FTSE4Good Index.
London Benchmarking Group (LBG)	We report the volume and value of our community and charitable contribution every year.	£3.0m equivalent value of time, promotion and cash investment 8,080 hours spent by our employees on volunteering
Community		
National Charity Partnership	All our shopping centres have partnered with The MS Society during the past two years. Next year, our national partner is Mencap.	£216,000 funds raised during the two-year relationship
Local Charity Partnerships	Shopping centres are required to have a local charity partnership too. These partnerships typically run for 1–2 years.	£250,000 has been raised across 19 shopping centres this year, for their local charity partners.
Education	Each of our shopping centres and large scale developments have at least one educational partnership.	The Department for Education has approved a new University Technical College for Westminster this year focusing on transport and construction engineering. This was the result of collaboration between the Sir Simon Milton Foundation and other employer partners.

SUSTAINABILITY REPORTING

We measure the environmental impact of our business to help us improve sustainability performance and ensure compliance with regulation.

As at 31 March 2014 we report an overall reduction of 16% against our 2011 baseline target (like-for-like) in normalised equivalent CO_2 emissions. This is increasingly important to us as it becomes more so for our customers. As we see the cost of energy increasing and security of supply under threat, we are helping customers reduce variable costs of their occupancy by making their buildings more efficient. A resilient portfolio is one that is prepared for these energy efficiency challenges.

Detailed analysis of the headline figure shows divergence across the portfolio. In the London Portfolio CO_2e emission intensity increased, across the Retail Portfolio we have seen a reduction.

Reporting framework

Disclosures concerning greenhouse gas emissions became mandatory for Land Securities under the Companies Act in the 2014 financial year. As well as fulfilling these mandatory carbon reporting requirements (see page 77 for details), Land Securities is committed to European Public Real Estate Association (EPRA) Best Practice Recommendations for Sustainability reporting, and we also make further disclosures as recommended by DEFRA Environmental Reporting Guidance 2013 and the Greenhouse Gas Protocol.

We have restated both our 2011 baseline and 2013 year figures, due to recommendations and improvements on prior years. There has been further segregation of the portfolio to align with our financial reporting that was not previously employed. Measured gross internal areas have been used, improving on the calculation method based on net lettable areas used in prior years. There were also material changes to the conversion factors provided by DEFRA and these have been applied in all three reporting years.

We report our data using an operational control approach to define our organisational boundary. A detailed description of our methodology can be found at www.landsecurities.com/annualreport2014.

For headline absolute emissions see page 77. For a detailed breakdown of absolute emissions across the portfolio see www.landsecurities.com/annualreport2014.

Whilst we are obliged to report on absolute emissions by scope, as above, we believe our performance is best understood by monitoring the performance of our like-for-like portfolio against EPRA performance indicators, which are tailored for relevance to our industry. The results of this comprise the remainder of this section.

DEFRA UK conversion factors (kg CO_2e)	
Electricity generated	0.44548
Natural gas	0.18404
Gas oil	0.27176

Like-for-like performance

We analyse and explain our like-for-like performance in our largest targeted segments; retail shopping centres & shops and London offices, against our selected performance indicators; greenhouse gas intensity and building water intensity, but for a complete breakdown of our like-for-like performance against our key EPRA performance indicators see page 143.

Greenhouse Gas Emissions (Like-for-like)

London offices

2014 vs. 2013

Normalised GHG emissions were 0.111 tCO_2e/m^2 in 2014, a decrease of 2% (2013: 0.114).

2014 vs. 2011 Fixed Baseline

A 7% increase in the GHG intensity of London offices as compared to baseline, from 0.104 to 0.111 tCO_2e/m^2 is as a result of Land Securities having disposed of a number of older buildings that although less efficient had a simple services infrastructure, and where a number of the tenants had their own direct utility supplies. Also in the baseline year Thomas More Square, one of our largest sites was operational but not fully occupied resulting in very low intensity. This combined with occupation density increases across the London office portfolio, and the inclusion in the like-for like portfolio of some large sites with full service infrastructure such as New Street Square, where the Landlord is responsible for the energy has resulted in an increase in GHG intensity.

Retail shopping centres

2014 vs. 2013

Normalised GHG emissions were 0.036 tCO_2e/m^2 in 2014, a decrease of 5% (2013: 0.038).

2014 vs. 2011 Fixed Baseline

Like-for-like GHG emissions have increased in retail shopping centres due to the addition of a number of large sites including Cabot Circus, The Elements and St Davids 2. However, this increase in emissions is accompanied by an increase in floor area so the overall GHG intensity of the portfolio has reduced compared to the baseline from 0.054 to 0.036 tCO_2e/m^2, a reduction of 33%. This can be credited to the move away from conditioned enclosed malls to a more open naturally ventilated urban design in our new centres with greater reliance on daylighting and energy efficient LED lighting to the public spaces. Specific energy reduction initiatives at some of our larger shopping centres have also contributed to this reduction.

Water consumption (Like-for-like)

London offices

2014 vs. 2013

London office water intensity has increased by 12% from 0.717 to 0.802m^3/m^2 as compared to prior year. This is due to water consumption increasing at some sites as a result of specific tenants operating extended hours, combined with the trend for higher occupancy rates in London offices.

2014 vs. 2011 Fixed Baseline

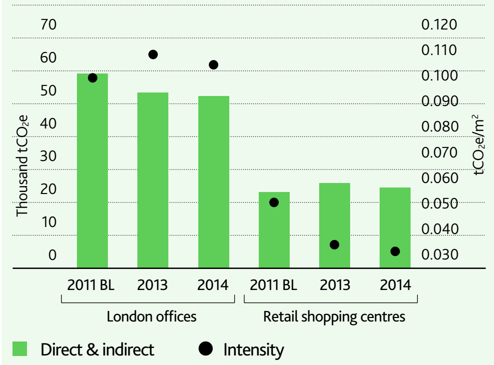
For the same reason, intensity as compared to baseline has increased 15% from 0.697 to 0.802m^3/m^2.

Retail shopping centres

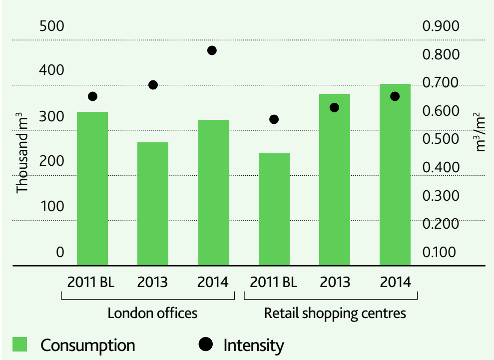
2014 vs. 2013

Water consumption in shopping centres has increased by 4% as compared to prior year. Building water intensity has increased by 4% from 0.620 to 0.645m^3/m^2. This reflects a shift in the tenant mix across our shopping centre portfolio to include more restaurants and catering demises, which use higher volumes of water. Consumption and intensity at sites such as Cabot Circus and Gunwharf Quays has increased markedly.

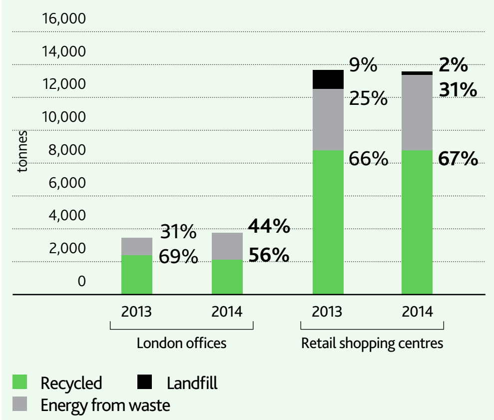
Direct and indirect GHG emissions and intensity across the like-for-like portfolio in 2011 (fixed baseline), 2013 and 2014 Chart 92



Water consumption and intensity across the like-for-like portfolio in 2011 (fixed baseline), 2013 and 2014 Chart 93



Tonnes of waste disposed of via different disposal routes, across the like-for-like portfolio in 2013 and 2014 Chart 94



2014 vs. 2011 Fixed Baseline

Similarly, the 7% increase in building water intensity from 0.601 to 0.645m³/m² is due to the changing tenant mix in the shopping centre portfolio, particularly at sites such as Cabot Circus and St Davids 2.

Waste disposal (Like-for-like)

London offices

During 2013 London offices moved to a new service partner for waste management which has allowed us to measure each waste stream by the precise weight. We believe that the 13% decrease in recycling is a result of better, more accurate data collection.

Going forward, our new and improved methods of measurement will allow us to better engage with our occupiers to improve recycling rates at each of our assets.

Retail shopping centres

Recycling rates at our Retail shopping centres have increased by 1% as* compared to the prior year, and the proportion of energy from waste has increased by 6%. This means a significant improvement in reducing waste sent to landfill; in 2013 9% of waste was sent to landfill as compared to 2% in 2014.

* This equates to 67% recycled in our like-for-like portfolio. When considering our full Retail shopping centre portfolio, we have achieved 72% recycled.

Like-for-like portfolio – selected performance indicators in 2014, 2013 and fixed baseline

Table 95

EPRA performance indicator	Greenhouse gas emissions			Water		Waste					
	Total direct greenhouse gas (GHG) emissions (annual metric tonnes CO_2e)	Total indirect greenhouse gas (GHG) emissions (annual metric tonnes CO_2e)	Greenhouse gas intensity from building energy (tCO_2e/m^2/year)	Total water withdrawal by source (annual m³)	Building water intensity (m³/m²/year)	Total weight of waste by disposal route (annual metric tonnes – recycled)	Total weight of waste by disposal route (annual metric tonnes – EfW)	Total weight of waste by disposal route (annual metric tonnes – landfill)	Proportion of waste by disposal route (% of total by weight – recycled)	Proportion of waste by disposal route (% of total by weight – EfW)	Proportion of waste by disposal route (% of total by weight – landfill)
2014 Retail Portfolio											
Shopping centres and shops	5,367	18,591	0.036	402,130	0.645	8,984	4,064	266	67%	31%	2%
Retail warehouses and food stores	–	825	0.002	2,199	0.007	385	143	–	73%	27%	0%
Leisure and hotels	284	1,130	0.112	14,122	3.371	5	–	3	57%	0%	43%
Other	–	25	0.001	748	0.038						
Landlord own consumption	497	41	0.046	10,589	0.914	–	–	–	0%	0%	0%
	6,148	**20,612**	**0.023**	**429,786**	**0.295**	**9,374**	**4,226**	**269**	**68%**	**30%**	**2%**
2014 London Portfolio											
London offices	6,330	44,973	0.111	311,341	0.802	2,042	1,618	–	56%	44%	0%
London shops	128	202	0.056	24,874	1.552	373	218	–	63%	37%	0%
Other	17	95	0.113	2,896	3.348	–	–	–	0%	0%	0%
Landlord own consumption	190	909	0.095	5,684	0.490	50	26	–	66%	34%	0%
	6,666	**46,180**	**0.110**	**344,795**	**0.828**	**2,465**	**1,861**	**–**	**57%**	**43%**	**0%**
Total	**12,815**	**66,792**	**0.048[1]**	**774,582**	**0.559[1]**	**11,839**	**6,087**	**269**	**65%**	**33%**	**2%**
2013 Retail Portfolio											
Shopping centres and shops	5,702	19,601	0.038	386,719	0.620	8,929	3,431	1,140	66%	25%	9%
Retail warehouses and food stores	9	899	0.002	2,824	0.009	382	148	–	72%	28%	0%
Leisure and hotels	275	1,147	0.113	13,482	3.218	2	–	1	57%	0%	43%
Other	–	64	0.003	9,214	0.467	–	–	–	0%	0%	0%
Landlord own consumption	483	45	0.045	9,758	0.842	–	–	–	0%	0%	0%
	6,469	**21,756**	**0.024**	**421,997**	**0.289**	**9,313**	**3,579**	**1,142**	**66%**	**26%**	**8%**
2013 London Portfolio											
London offices	6,756	45,819	0.114	278,366	0.717	2,418	1,087	–	69%	31%	0%
London shops	112	250	0.080	24,200	1.645	370	94	–	80%	20%	0%
Other	63	100	0.164	1,286	1.487	–	–	–	0%	0%	0%
Landlord own consumption	228	974	0.104	5,394	0.465	20	14	–	59%	41%	0%
	7,159	**47,143**	**0.114**	**309,247**	**0.744**	**2,808**	**1,195**	**–**	**70%**	**30%**	**0%**
Total	**13,628**	**68,899**	**0.050[1]**	**731,243**	**0.528[1]**	**12,121**	**4,774**	**1,142**	**67%**	**27%**	**6%**
2011 Fixed baseline Retail Portfolio											
Shopping centres and shops	3,725	18,311	0.054	245,674	0.601						
Retail warehouses and food stores	81	791	0.002	9,832	0.032						
Leisure and hotels	–	–	–	–	–						
Other	–	137	0.007	20,323	1.030						
Landlord own consumption	306	46	0.030	7,825	0.675						
	4,112	**19,284**	**0.026**	**283,654**	**0.212**						
2011 Fixed baseline London Portfolio											
London offices	7,635	52,160	0.104	339,141	0.697						
London shops	105	321	0.099	19,835	1.569						
Other	26	77	0.103	1,093	1.264						
Landlord own consumption	212	964	0.101	5,568	0.480						
	7,977	**53,522**	**0.104**	**365,637**	**0.715**						
Total	**12,088**	**72,805**	**0.057[1]**	**649,291**	**0.515[1]**						

1. Normalised consumption

COMBINED PORTFOLIO ANALYSIS

Like-for-like segmental analysis

Table 96

	Market value[1]		Valuation movement[2]		Rental income[3]		Annualised rental income[4]	Annualised net rent[5]		Net estimated rental value[6]	
	31 March 2014 £m	31 March 2013 £m	Surplus/ (deficit) £m	Surplus/ (deficit) %	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m	31 March 2013 £m
Retail Portfolio											
Shopping centres and shops	**2,410.3**	2,341.4	**54.4**	**2.3%**	**175.1**	172.7	**174.6**	**166.8**	162.5	**162.7**	160.9
Retail warehouses and food stores	**1,122.5**	1,106.1	**(3.3)**	**(0.3%)**	**70.7**	68.3	**68.7**	**66.9**	68.1	**69.8**	70.8
Leisure and hotels	**502.1**	471.1	**30.6**	**6.5%**	**33.7**	33.3	**33.6**	**33.6**	33.2	**33.9**	33.0
Other	**33.8**	31.6	**1.6**	**5.0%**	**4.2**	4.0	**3.0**	**2.8**	3.6	**3.5**	4.2
Total Retail Portfolio	**4,068.7**	3,950.2	**83.3**	**2.1%**	**283.7**	278.3	**279.9**	**270.1**	267.4	**269.9**	268.9
London Portfolio											
West End	**1,537.6**	1,441.7	**90.3**	**6.5%**	**80.4**	85.6	**81.9**	**76.1**	81.9	**74.3**	74.2
City	**556.3**	507.6	**47.9**	**9.7%**	**25.8**	26.5	**26.0**	**26.3**	23.6	**32.2**	31.6
Mid-town	**941.7**	885.8	**53.5**	**7.1%**	**42.4**	41.5	**43.9**	**41.9**	41.2	**49.7**	48.7
Inner London	**316.2**	301.7	**8.3**	**4.1%**	**20.3**	20.4	**19.9**	**20.3**	18.0	**20.8**	19.6
Total London offices	**3,351.8**	3,136.8	**200.0**	**7.0%**	**168.9**	174.0	**171.7**	**164.6**	164.7	**177.0**	174.1
Central London shops	**876.3**	746.5	**125.3**	**16.8%**	**36.5**	35.7	**37.2**	**36.5**	33.8	**47.2**	44.1
Other	**72.9**	68.9	**3.4**	**5.1%**	**1.9**	2.0	**2.0**	**2.0**	2.0	**2.2**	2.1
Total London Portfolio	**4,301.0**	3,952.2	**328.7**	**9.0%**	**207.3**	211.7	**210.9**	**203.1**	200.5	**226.4**	220.3
Like-for-like portfolio[10]	**8,369.7**	7,902.4	**412.0**	**5.4%**	**491.0**	490.0	**490.8**	**473.2**	467.9	**496.3**	489.2
Proposed developments[3]	**–**	–	**–**	**–**	**–**	–	**–**	**–**	–	**–**	–
Completed developments[3]	**1,170.2**	1,039.3	**59.3**	**5.7%**	**53.1**	29.2	**54.7**	**51.4**	28.6	**63.2**	63.8
Acquisitions[11]	**802.4**	563.0	**8.8**	**1.1%**	**48.3**	11.5	**59.4**	**57.0**	34.9	**54.3**	39.5
Sales and restructured interests[12]	**–**	884.1	**–**	**–**	**36.1**	63.9	**–**	**–**	60.1	**–**	59.3
Development programme[13]	**1,517.1**	1,057.6	**273.8**	**22.3%**	**16.5**	9.9	**35.5**	**8.7**	4.6	**137.0**	93.8
Combined portfolio	**11,859.4**	11,446.4	**753.9**	**7.1%**	**645.0**	604.5	**640.4**	**590.3**	596.1	**750.8**	745.6
Surplus on investment property reclassified as trading			**9.9**	**18.4%**							
Properties treated as finance leases					**(10.9)**	(11.5)					
Combined portfolio			**763.8**	**7.1%**	**634.1**	593.0					

Total portfolio analysis

	31 March 2014 £m	31 March 2013 £m	Surplus/ (deficit) £m	Surplus/ (deficit) %	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m	31 March 2013 £m
Retail Portfolio											
Shopping centres and shops	**3,020.4**	3,161.3	**71.8**	**2.5%**	**223.1**	207.9	**206.5**	**193.7**	199.7	**199.0**	220.6
Retail warehouses and food stores	**1,210.4**	1,183.0	**8.6**	**0.7%**	**71.6**	69.2	**72.4**	**68.3**	68.8	**75.1**	78.1
Leisure and hotels	**1,231.7**	968.8	**36.2**	**3.1%**	**79.2**	44.2	**89.4**	**87.2**	67.8	**84.6**	69.2
Other	**36.8**	34.9	**1.4**	**4.0%**	**4.3**	4.0	**3.1**	**2.9**	3.6	**3.6**	4.2
Total Retail Portfolio	**5,499.3**	5,348.0	**118.0**	**2.2%**	**378.2**	325.3	**371.4**	**352.1**	339.9	**362.3**	372.1
London Portfolio											
West End	**2,312.8**	2,065.0	**180.9**	**8.8%**	**94.2**	92.0	**100.6**	**80.3**	84.5	**140.7**	137.2
City	**1,423.9**	1,115.5	**209.8**	**18.0%**	**42.1**	41.1	**54.1**	**45.3**	33.4	**90.6**	70.6
Mid-town	**989.6**	917.1	**57.5**	**7.2%**	**42.4**	44.8	**43.9**	**41.9**	41.2	**65.6**	48.7
Inner London	**316.2**	770.6	**8.3**	**4.1%**	**33.6**	41.8	**19.9**	**20.3**	45.7	**20.8**	47.3
Total London offices	**5,042.5**	4,868.2	**456.5**	**10.8%**	**212.3**	219.7	**218.5**	**187.8**	204.8	**317.7**	303.8
Central London shops	**1,220.6**	1,110.8	**168.8**	**16.1%**	**52.1**	56.7	**48.5**	**48.4**	49.4	**68.4**	67.2
Other	**97.0**	119.4	**10.6**	**12.8%**	**2.4**	2.8	**2.0**	**2.0**	2.0	**2.4**	2.5
Total London Portfolio	**6,360.1**	6,098.4	**635.9**	**11.9%**	**266.8**	279.2	**269.0**	**238.2**	256.2	**388.5**	373.5
Combined portfolio	**11,859.4**	11,446.4	**753.9**	**7.1%**	**645.0**	604.5	**640.4**	**590.3**	596.1	**750.8**	745.6
Surplus on investment property reclassified as trading			**9.9**	**18.4%**							
Properties treated as finance leases					**(10.9)**	(11.5)					
Combined portfolio			**763.8**	**7.1%**	**634.1**	593.0					
Represented by:											
Investment portfolio	**10,260.4**	9,845.0	**608.5**	**6.6%**	**569.9**	520.6	**559.4**	**521.5**	515.1	**641.7**	622.8
Share of joint ventures	**1,599.0**	1,601.4	**155.3**	**10.5%**	**75.1**	83.9	**81.0**	**68.8**	81.0	**109.1**	122.8
Combined portfolio	**11,859.4**	11,446.4	**763.8**	**7.1%**	**645.0**	604.5	**640.4**	**590.3**	596.1	**750.8**	745.6

Like-for-like segmental analysis continued

Table 96

	Gross estimated rental value[7]		Net initial yield[8]		Equivalent yield[9]		Voids (by ERV)[3]	
	31 March 2014 £m	31 March 2013 £m	**31 March 2014 %**	31 March 2013 %	**31 March 2014 %**	31 March 2013 %	**31 March 2014 %**	31 March 2013 %
Retail Portfolio								
Shopping centres and shops	**173.4**	172.1	**5.9%**	6.1%	**6.0%**	6.1%	**3.5%**	3.7%
Retail warehouses and food stores	**70.5**	71.4	**5.5%**	5.5%	**5.8%**	5.9%	**0.6%**	1.1%
Leisure and hotels	**33.9**	33.0	**6.4%**	6.7%	**6.4%**	6.7%	**–**	–
Other	**3.6**	4.3	**5.1%**	5.7%	**8.0%**	8.2%	**22.2%**	25.6%
Total Retail Portfolio	**281.4**	280.8	**5.8%**	6.0%	**6.0%**	6.2%	**2.6%**	2.9%
London Portfolio								
West End	**74.3**	74.2	**4.7%**	5.2%	**5.0%**	5.4%	**2.0%**	1.3%
City	**32.4**	31.8	**4.5%**	4.7%	**5.1%**	5.5%	**–**	0.3%
Mid-town	**50.8**	49.8	**4.0%**	4.4%	**4.9%**	5.1%	**3.3%**	0.8%
Inner London	**20.8**	19.6	**5.6%**	5.5%	**5.9%**	6.4%	**1.4%**	1.5%
Total London offices	**178.3**	175.4	**4.6%**	4.9%	**5.1%**	5.5%	**2.0%**	1.0%
Central London shops	**47.5**	44.4	**3.8%**	4.3%	**4.9%**	5.3%	**0.4%**	0.5%
Other	**2.2**	2.1	**2.3%**	2.6%	**2.5%**	2.7%	**–**	–
Total London Portfolio	**228.0**	221.9	**4.4%**	4.8%	**5.0%**	5.4%	**1.6%**	0.9%
Like-for-like portfolio[10]	**509.4**	502.7	**5.1%**	5.4%	**5.5%**	5.8%	**2.1%**	2.0%
Proposed developments[3]	**–**	–	**–**	–	**n/a**	n/a	**n/a**	n/a
Completed developments[3]	**63.7**	64.2	**4.1%**	2.2%	**5.1%**	5.2%	**n/a**	n/a
Acquisitions[11]	**54.4**	39.7	**6.0%**	5.8%	**6.4%**	n/a	**n/a**	n/a
Sales and restructured interests[12]	**–**	60.6	**0.9%**	5.9%	**n/a**	n/a	**n/a**	n/a
Development programme[13]	**137.0**	93.9	**0.3%**	0.3%	**5.0%**	5.3%	**n/a**	n/a
Combined portfolio	**764.5**	761.1	**4.4%**	4.7%	**5.4%**	n/a	**n/a**	n/a

Total portfolio analysis

	31 March 2014 £m	31 March 2013 £m	**31 March 2014 %**	31 March 2013 %
Retail Portfolio				
Shopping centres and shops	**209.6**	232.6	**5.5%**	5.4%
Retail warehouses and food stores	**75.8**	78.7	**5.1%**	5.1%
Leisure and hotels	**84.7**	69.3	**6.3%**	6.4%
Other	**3.7**	4.3	**5.0%**	5.2%
Total Retail Portfolio	**373.8**	384.9	**5.6%**	5.5%
London Portfolio				
West End	**140.8**	137.0	**3.2%**	3.8%
City	**91.1**	71.0	**3.0%**	3.0%
Mid-town	**66.7**	49.8	**3.8%**	4.3%
Inner London	**20.8**	48.2	**5.6%**	5.7%
Total London offices	**319.4**	306.0	**3.4%**	4.0%
Central London shops	**68.9**	67.7	**3.6%**	4.0%
Other	**2.4**	2.5	**1.8%**	1.5%
Total London Portfolio	**390.7**	376.2	**3.4%**	3.9%
Combined portfolio	**764.5**	761.1	**4.4%**	4.7%
Represented by:				
Investment portfolio	**653.4**	636.2	**4.6%**	4.7%
Share of joint ventures	**111.1**	124.9	**3.6%**	4.5%
Combined portfolio	**764.5**	761.1	**4.4%**	4.7%

Notes:
1. The market value figures 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 2012.
12. Includes all properties sold since 1 April 2012.
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

Lease lengths — Table 97

	Unexpired lease term at 31 March 2014	
	Like-for-like portfolio mean[1] years	Like-for-like portfolio, completed developments and acquisitions mean[1] years
Retail Portfolio		
Shopping centres and shops	7.3	7.9
Retail warehouses and food stores	8.7	9.2
Leisure and hotels	5.8	9.6
Total Retail Portfolio	7.5	8.6
London Portfolio		
West End	8.7	8.6
City	6.4	7.5
Mid-town	11.0	11.0
Inner London	13.0	13.0
Total London offices	9.4	9.4
Central London shops	9.3	9.0
Total London Portfolio	9.7	9.6
Combined portfolio	**8.5**	**9.0**

1. Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.

DEVELOPMENT PIPELINE

Development pipeline financial summary — Table 98

	Cumulative movements on the development programme to 31 March 2014							Total scheme details[1]			
	Market value at start of scheme £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Valuation surplus to date[2] £m	Disposals, SIC15 rent and other adjustments £m	Market value at 31 March 2014 £m	Estimated total capital expenditure[3] £m	Estimated total capitalised interest £m	Estimated total development cost[4] £m	Net income/ ERV[5] £m	Valuation surplus for the year ended 31 March 2014[2] £m
Developments let and transferred or sold											
Shopping centres and shops	97.5	304.5	22.6	142.2	18.8	585.6	300.8	22.6	420.9	34.1	16.4
Retail warehouses and food stores	15.5	38.6	1.3	15.1	(22.5)	48.0	35.5	1.3	39.3	2.6	8.8
London Portfolio	–	–	–	–	–	–	–	–	–	–	–
	113.0	343.1	23.9	157.3	(3.7)	633.6	336.3	23.9	460.2	36.7	25.2
Developments after practical completion, approved or in progress											
Shopping centres and shops	–	–	–	–	–	–	–	–	–	–	–
Retail warehouses and food stores	18.0	9.2	0.2	9.1	–	36.5	20.8	0.4	39.2	2.7	4.8
London Portfolio	551.4	485.9	31.9	496.6	(85.2)	1,480.6	919.8	70.8	1,542.0	136.7	277.9
	569.4	495.1	32.1	505.7	(85.2)	1.517.1	940.6	71.2	1,581.2	139.4	282.7
	Movement on proposed developments for the year to 31 March 2014										
Proposed developments											
Shopping centres and shops	–	–	–	–	–	–	–	–	–	–	–
Retail warehouses and food stores	–	–	–	–	–	–	–	–	–	–	–
London Portfolio	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–

Notes:
1. Total scheme details exclude properties sold in the year.
2. Includes profit realised on the disposal of investment properties and a £9.9m surplus on investment properties transferred to trading properties, of which £1.0m relates to developments let and transferred or sold.
3. For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete schemes at year end. There were no properties within proposed developments at 31 March 2014.
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 properties at the year end is included in the estimated total cost. Estimated total development cost includes the cost of residential properties in the development programme (£11.3m 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 2014 on unlet units.

For more information about our development pipeline go to: pages 16–17, 28–31

Development pipeline at 31 March 2014

Table 99

Property	Description of use	Ownership interest %	Size sq ft	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[1]	Office Retail	100	200,100 28,200	92 100	262	13.9	Aug 2012	154	154
62 Buckingham Gate, SW1	Office Retail	100	259,700 15,600	63 100	323	18.6	May 2013	179	179
Developments approved or in progress									
Bishop Centre, Taplow	Retail	100	101,500	82	37	2.7	Jul 2014	27	39
20 Fenchurch Street, EC3	Office Retail	50	673,600 13,000	87 67	344	21.5	Aug 2014	206	239
1 & 2 New Ludgate, EC4	Office Retail	100	348,600 30,800	– –	163	22.6	Apr 2015	132	257
The Zig Zag Building, SW1[2]	Office Retail	100	187,700 44,200	– 26	136	15.8	May 2015	101	174
20 Eastbourne Terrace, W2	Office	100	91,800	–	29	5.3	Feb 2016	26	66
1 New Street Square, EC4	Office Retail	100	266,200 4,700	– –	48	16.0	Jun 2016	44	177
Nova, Victoria, SW1 – Phase I	Office Retail	50	480,300 79,900	– –	123	20.0	Jul 2016	85	245
Oriana, W1 – Phase II	Retail Residential	50	72,300 20,200	64 –	53	3.0	Sept 2016	33	51
Developments let and transferred or sold									
Trinity Leeds	Retail	100	817,000	97	490	29.4	Feb 2013	370	372
185–221 Buchanan Street, Glasgow	Retail	100	115,200	99	96	4.7	Mar 2013	49	49
Chadwell Heath, Whalebone Lane	Retail	Sold	48,100	n/a	n/a	n/a	Sept 2013	n/a	n/a
Crawley	Retail	100	118,500	98	48	2.6	Dec 2013	39	39

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

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 2014. Trading property development schemes are excluded from the development pipeline.

Total development cost

Refer to glossary for definition. Of the properties in the development pipeline at 31 March 2014, the only property on which interest was capitalised on the land cost was Nova, Victoria, SW1 – Phase I. The figures for total development cost include expenditure on the residential elements of Oriana, W1 – Phase II (£11.3m).

Net income/ERV

Net income/ERV represents net headline annual rent on let units plus net ERV at 31 March 2014 on unlet units.

Trading property development schemes

Table 100

Property	Description of use	Ownership interest %	Size sq ft	Number of units	Sales exchanged by unit %	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Buchanan Gardens, Glasgow	Residential	Sold	45,200	49	100	Nov 2013	9	9
Kings Gate, SW1	Residential	100	108,900	100	82	May 2015	86	159
Nova, Victoria, SW1 – Phase I	Residential	50	166,400	170	68	Apr 2016	66	138

FIVE YEAR SUMMARY

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Income statement					
Group revenue	**716.5**	736.6	671.5	701.9	833.4
Costs	**(253.3)**	(290.7)	(239.6)	(270.8)	(392.5)
	463.2	445.9	431.9	431.1	440.9
Profit/(loss) on disposal of investment properties	**15.6**	(3.1)	45.4	75.7	(32.5)
Profit on disposal of investments in joint ventures	**2.5**	–	–	–	–
Net surplus on revaluation of investment properties	**606.6**	196.7	169.8	794.1	746.0
Profit on disposal of other investments	**–**	1.6	–	–	–
Release of impairment/(impairment) of trading properties	**5.3**	7.1	(2.0)	(1.4)	(10.6)
Operating profit	**1,093.2**	648.2	645.1	1,299.5	1,143.8
Net interest expense	**(179.2)**	(170.7)	(179.4)	(216.1)	(212.1)
Revaluation of redemption liabilities	**(5.6)**	(4.5)	–	–	–
Net gain on business combination	**5.0**	1.4	–	–	–
	913.4	474.4	465.7	1,083.4	931.7
Share of post tax profit from joint ventures	**195.5**	58.6	52.2	143.9	137.6
Impairment of investment in joint ventures	**–**	–	(2.2)	–	–
Profit before tax	**1,108.9**	533.0	515.7	1,227.3	1,069.3
Income tax	**7.7**	–	8.0	16.8	23.1
Profit for the financial year	**1,116.6**	533.0	523.7	1,244.1	1,092.4
Revaluation surplus for the year:					
Group	**608.5**[1]	197.0[1]	169.8	794.1	746.0
Joint ventures	**155.3**[1]	20.5[1]	21.1	114.7	117.8
Total	**763.8**[1]	217.5[1]	190.9	908.8	863.8
Revenue profit	**319.6**	290.7	299.4	274.7	251.8

1. Includes our non-wholly owned subsidiaries on a proportionate basis.

FIVE YEAR SUMMARY

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Balance sheet					
Investment properties	**9,847.7**	9,651.9	8,453.2	8,889.0	8,044.3
Other property, plant and equipment	**7.3**	8.3	8.8	11.3	12.8
Net investment in finance leases	**186.9**	188.0	185.0	116.8	115.4
Loan investments	**50.0**	50.0	50.8	72.2	84.3
Investment in joint ventures	**1,443.3**	1,301.0	1,137.6	939.6	787.8
Other investments	**–**	–	32.3	1.8	–
Trade and other receivables	**34.3**	10.6	–	77.0	–
Derivative financial instruments	**5.3**	–	–	–	–
Pension surplus	**2.3**	5.9	–	8.7	–
Total non-current assets	**11,577.1**	11,215.7	9,867.7	10,116.4	9,044.6
Trading properties and long-term development contracts	**192.9**	152.8	133.1	129.3	87.9
Derivative financial instruments	**–**	–	–	–	1.0
Trade and other receivables	**366.3**	344.8	759.6	352.5	334.4
Monies held in restricted accounts and deposits	**14.5**	30.9	29.5	35.1	95.6
Cash and cash equivalents	**20.9**	41.7	29.7	37.6	159.4
Total current assets	**594.6**	570.2	951.9	554.5	678.3
Borrowings	**(513.2)**	(436.2)	(10.8)	(33.0)	(308.6)
Derivative financial instruments	**(5.5)**	(9.1)	–	–	(1.1)
Trade and other payables	**(319.5)**	(364.3)	(361.3)	(423.2)	(395.5)
Provisions	**(3.6)**	(7.0)	(8.6)	(7.4)	(1.5)
Current tax liabilities	**(2.9)**	(21.2)	(21.6)	(35.5)	(111.0)
Total current liabilities	**(844.7)**	(837.8)	(402.3)	(499.1)	(817.7)
Borrowings	**(2,849.0)**	(3,315.2)	(3,225.1)	(3,351.3)	(3,209.7)
Derivative financial instruments	**(3.5)**	(10.7)	(6.5)	(2.0)	–
Pension deficit	**–**	–	(2.4)	–	(6.5)
Trade and other payables	**(23.6)**	(17.4)	(27.7)	(6.2)	–
Redemption liabilities	**(32.6)**	(118.1)	–	–	–
Total non-current liabilities	**(2,908.7)**	(3,461.4)	(3,261.7)	(3,359.5)	(3,216.2)
Net assets	**8,418.3**	7,486.7	7,155.6	6,812.3	5,689.0
Net debt	**(3,330.5)**	(3,698.6)	(3,183.2)	(3,313.6)	(3,263.4)
Results per share					
Total dividend payable in respect of the financial year (actual)	**30.7p**	29.8p	29.0p	28.2p	28.0p
Basic earnings per share	**142.3p**	68.4p	67.5p	162.3p	144.0p
Diluted earnings per share	**141.8p**	68.1p	67.4p	162.2p	144.0p
Adjusted earnings per share[1]	**40.7p**	37.0p	38.5p	35.5p	33.1p
Adjusted diluted earnings per share[1]	**40.5p**	36.8p	38.5p	35.5p	33.1p
Net assets per share	**1,069p**	959p	921p	885p	750p
Diluted net assets per share	**1,065p**	955p	918p	884p	750p
Adjusted net assets per share	**1,017p**	907p	866p	827p	691p
Adjusted diluted net assets per share	**1,013p**	903p	863p	826p	691p

1. 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.

INVESTOR INFORMATION

Financial calendar

Table 101

	Event date
Ex-dividend date – 2013/14 final dividend	18 June 2014
Record date – 2013/14 final dividend	20 June 2014
First quarter interim management statement announcement	17 July 2014
AGM – London	18 July 2014
Payment date – 2013/14 final dividend	22 July 2014
Ex-dividend date – 1st interim dividend*	10 September 2014
Payment date – 1st interim dividend*	10 October 2014
2014/15 Half-yearly results announcement	11 November 2014
Ex-dividend date – 2nd interim dividend*	4 December 2014
Payment date – 2nd interim dividend*	8 January 2015
Third quarter interim management statement announcement	21 January 2015
Ex-dividend date – 3rd interim dividend*	12 March 2015
Payment date – 3rd interim dividend*	10 April 2015
2014/15 Annual results announcement	May 2015

* Provisional dates

Dividend Reinvestment Plan

On 22 January 2014, we announced the suspension of the Scrip Dividend Scheme and the launch of the Dividend Reinvestment Plan. The Dividend Reinvestment Plan gives shareholders the opportunity to reinvest their cash dividends in Land Securities Group PLC ordinary shares to purchase additional shares in the Company through a convenient, easy and cost effective facility provided by Equiniti Financial Services Limited. Under the Dividend Reinvestment Plan the cash dividend will be used to buy whole shares as soon after the dividend payment date as possible, with any residual cash being carried forward to the next dividend. Details of the scheme, including the rules, and election form for participation are available at www.landsecurities.com/investors/shareholder-investor-information/dividend-reinvestment-plan or via:

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

Our website

Our corporate website gives you access to share price and dividend information as well as sections on managing your shares electronically, 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/clients/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.

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 registrar or complete a mandate instruction available from www.landsecurities.com/investors/shareholder-investor-information/dividend-information and return it to the registrar. 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 7049 or download an application form online at www.shareview.co.uk or write to our registrar 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's 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

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

* Calls to 0871 telephone numbers are charged at 8p per minute plus network extras. 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 2012.

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.

DRIP (Dividend Reinvestment Plan)
This is when shareholders are offered the opportunity to use cash dividends received to purchase additional shares in the company immediately after the dividend payment date.

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 (see also mark-to-market adjustment).

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 21 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 managed properties
Properties in the like-for-like portfolio other than those in our joint ventures which we do not manage operationally.

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2012, but excluding those which are acquired, sold or included in the development pipeline at any time since that date.

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 (see also fair value movement).

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-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.

Pre-let
A lease signed with an occupier prior to completion of a development.

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 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.

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.

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 adjustment, 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
A scrip dividend is when shareholders are offered the opportunity to receive dividends in the form of shares instead of cash.

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 site 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. The TDC for trading property development schemes excludes any estimated tax on disposal.

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 the Land Securities Group PLC and the Group's financial condition, results of its 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 Group 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 will 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 IFRSs, 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 statutory obligations, Land Securities Group PLC does not intend to update any forward-looking statements.

Produced by Brightsource Limited, a Cello Signal company.

Printed by CPI Colour.

This report is printed on Naturalis Absolute White Smooth paper and has been independently certified on behalf of the Forest Stewardship Council (FSC®).

FSC
www.fsc.org
100%
Paper from well-managed forests
FSC® C016486

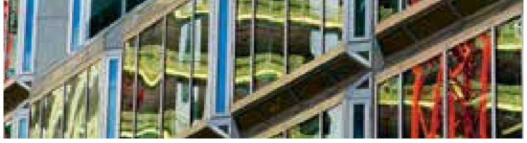
Design:
saslondon.com

Words:
Tim Rich

Photography:
Greg Funnell
Luke Hayes

Land Securities Group PLC
5 Strand, London WC2N 5AF

T +44 (0)20 7413 9000
E investor.relations@landsecurities.com
W www.landsecurities.com











www.landsecurities.com/
annualreport2014