LandSecurities

Annual Report 2015

"OUR CUSTOMERS LOVE IT. OUR PEOPLE FELT A FOOT TALLER THE DAY WE MOVED IN."

William Stovin, President, Markel International
20 Fenchurch Street, EC3

LAND SECURITIES AT A GLANCE

We are the largest listed commercial property company in the UK by market capitalisation.
Our purpose is to provide the right space for our customers and our communities – helping businesses to succeed, the economy to grow and people to thrive.

Our goal is to outperform our peer group, in terms of total shareholder return, through the property cycle.

Our vision is to be the best property company in the UK in the eyes of our customers, our communities, our employees and our partners. Here we show our performance over the last 12 months.

Profit before tax
including valuation surplus

£2,416.5m

2014: £1,108.9m

Total business return[1]

30.7%

2014: 15.5%

Total property return

23.0%

2014: 12.8%

Dividend per share[3]

31.85p

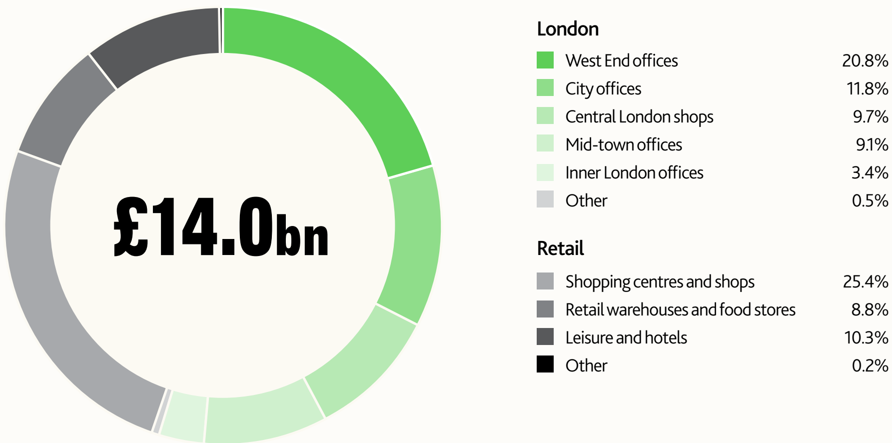
2014: 30.7p

Total shareholder return[1]

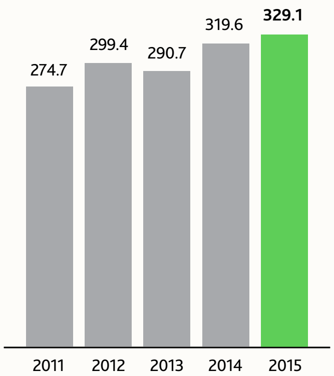
26.3%

2014: 27.2%

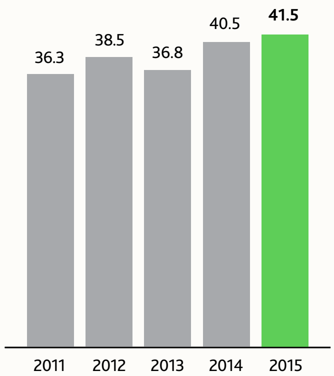
Combined Portfolio value



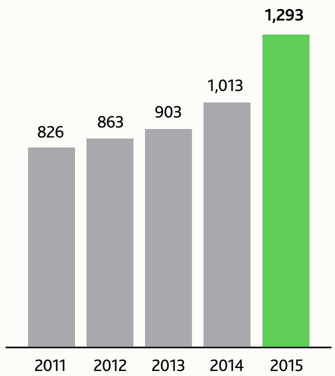
Revenue profit[2,4]
£m



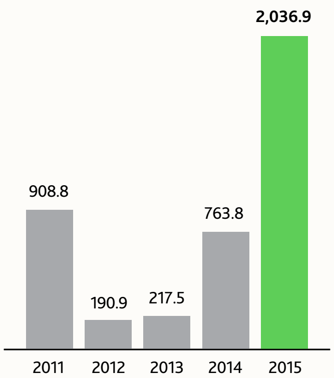
Adjusted diluted earnings
pence per share



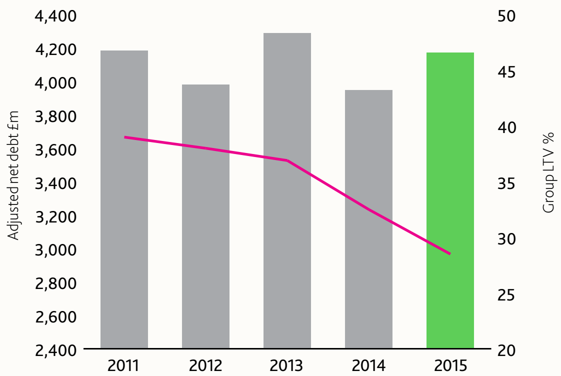
Adjusted diluted NAV
pence per share



Valuation surplus[4]
£m



Adjusted net debt and LTV ratio since March 2011[4]



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

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

THIS YEAR WE ASKED PEOPLE TO TELL US ABOUT THE EFFECT OUR PROPERTIES HAVE ON THEM.

OVER THE FOLLOWING PAGES WE SHARE WHAT THEY SAID, AND WE DESCRIBE WHAT WE ARE DOING TO PROVIDE EVEN BETTER SPACE THAT MEETS OUR CUSTOMERS' CHANGING NEEDS AND EXPECTATIONS.

Online annual report
www.landsecurities.com/annualreport2015

Strategic report
How the Company sets out to create value and how we performed during the year.

Governance
Including information on our Board, its Committees and our high governance standards.

Financial statements
Our primary financial statements and supporting notes.

Additional information
Further analysis of our business and practical information for shareholders.

IN RETAIL, WE WORK IN A FAST-MOVING AREA WHERE IT'S VITAL TO UNDERSTAND AND ANTICIPATE PEOPLE'S CHANGING TASTES AND NEEDS. OUR TRANSFORMED PORTFOLIO IS WELL MATCHED TO THE EVER-EVOLVING REQUIREMENTS OF OUR CUSTOMERS AND COMMUNITIES.

"WE ARE DELIGHTED WITH TRADE IN WAHACA CARDIFF"

Mark Selby
Co-founder Wahaca

"A MAGNIFICENT NEW SPACE TO SHOWCASE THE BRAND"

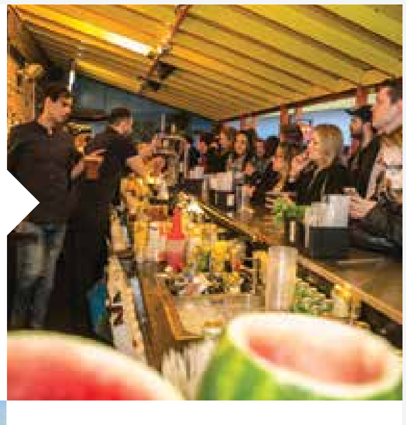
Meryl Dolan
Marketing Director, Ralph Lauren,
Gunwharf Quays, Portsmouth

"A GREAT OPPORTUNITY FOR THE BRAND – WE CANNOT WAIT TO OPEN"

Jeremy Hackett
Chairman of Hackett London
on the opening of his store at Bluewater

“AMAZING FOOD, GREAT DRINKS AND FIRST-CLASS DANCING”

James Flint
Lewisham Street Feast visitor



“DESIGN AND ARCHITECTURE OF THE HIGHEST QUALITY”

Bob Price, Council Leader
Oxford City Council, on Westgate, Oxford

“WE ARE DELIGHTED THAT BLUEWATER HAS CHOSEN THE LEGION AS ITS CHARITY OF THE YEAR”

Charles Byrne
The British Legion,
Director of Fundraising

“LAND SECURITIES CONTINUES TO BE A FIRST CLASS PARTNER – AN INNOVATIVE, FORWARD LOOKING LANDLORD”

Andy Street
Managing Director, John Lewis

“A GREAT ATMOSPHERE FOR PRACTISING MY BOARDING”

Kevin Vale
Snowboarder at Xscape,
Milton Keynes

“LAND SECURITIES ARE CALLING THE FUTURE SHAPE OF THE RETAIL MARKET”

Charlie Barke, Partner
Cushman & Wakefield

“THIS IS WITHOUT DOUBT THE BEST CINEMA IN LEEDS”

Rachel Booth
Everyman Cinema goer,
Trinity Leeds

IN LONDON, WE'RE CONSTANTLY REFRESHING OUR PORTFOLIO TO PROVIDE THE MODERN, TECHNICALLY RESILIENT SPACE EXPECTED BY OUR CUSTOMERS. AND AS WE DO THIS, WE CAN SHAPE NOT ONLY THE BUILDING ITSELF, BUT ALSO THE COMMUNITIES THAT WORK AND LIVE WITHIN IT AND AROUND IT.

"LOVE OUR NEW SPACE – IT FITS WITH ALL OF OUR STRATEGIC OBJECTIVES"

Maarten Slendebroek
Chief Executive Officer, Jupiter
The Zig Zag Building, SW1

"LAND SECURITIES HELPED ME TO SET UP MY OWN PRACTICE AS AN INDEPENDENT ARTIST IN LONDON"

Nika Neelova, Creator
of art installation at
1 & 2 New Ludgate, EC4

"THE UK FOOD SCENE IS UP THERE WITH THE MOST EXCITING IN THE WORLD AND WE ARE EXCITED TO BE PART OF IT, WITH LAND SECURITIES"

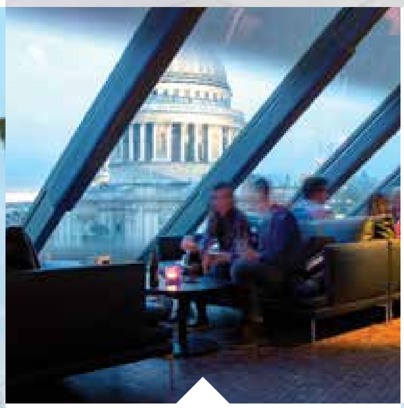
Jamie Oliver, Barbecoa
One New Change, EC4

“THE FRONT OF HOUSE STAFF ARE OFF-THE-CHARTS BRILLIANT!”

Simon Ruddick
Chief Executive Officer,
Albourne Partners Limited
16 Palace St, SW1

“LAND SECURITIES HAS TAKEN THE TIME TO UNDERSTAND THE FASHION WORLD”

Donna Ida
Founder of Donna Ida Boutique,
Elizabeth Street, SW1



“THE OBVIOUS LANDLORD AND DEVELOPER TO CONSOLIDATE OUR BUSINESS WITH”

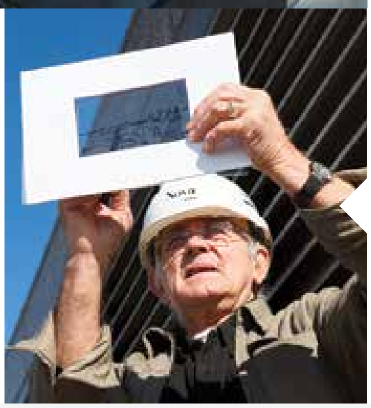
David Gill
Managing Partner, Deloitte LLP
New Street Square, EC4

“MADISON HAS TRADED ITS SOCKS OFF HERE”

Des Gunewardena
Chairman and CEO, D&D London
One New Change, EC4

“I CAN SEE THE SEAGULLS SO CLOSE UP!”

Jasper, age 5
Sky Garden visitor,
20 Fenchurch St, EC3



“GREAT TO SEE VICTORIA’S LOCAL TALENT BEING CELEBRATED”

Richard Lusted
Inside Out Victoria event attendee
and Victoria resident, SW1

“LAND SECURITIES ARE EQUIPPING LONDONERS WITH THE SKILLS NEEDED TO OBTAIN WORK”

Boris Johnson, MP
Mayor of London

CHIEF EXECUTIVE'S STATEMENT

Our results

Total business return

30.7%

Ungeared total property return

23.0%

Increase in adjusted diluted NAV per share

27.6%

Our highlights

- £42.6m of development lettings
- £36.8m of investment lettings
- Acquisitions of £951.4m including the managing stake in Bluewater
- Development and refurbishment expenditure of £441.9m
- Disposals of £1,081.2m
- Further developments committed with total development costs of £220m (our share)

With record leasing levels across our London development programme, combined with a reshaped retail portfolio and continued financial discipline, we have delivered very strong results. Revenue profit was up 3.0% to £329.1m. Adjusted diluted net asset value per share was up 27.6% to 1,293p driven by a particularly strong rise in the valuation of our assets. Our total business return – the increase in adjusted net asset value plus dividend paid per share – was 30.7%.

Land Securities' purpose is to provide the right space for our customers and our communities – helping businesses to succeed, the economy to grow and people to thrive. Our goal is to outperform our peer group in terms of total shareholder return through the property cycle. To achieve this, we need to anticipate our markets and understand customers' and communities' changing needs, then create value by taking an active approach to buying, developing, managing and selling assets.

Our markets are cyclical and changing. This was clearly illustrated over the past year as the supply-constrained conditions in London have enabled strong development lettings with rising rents, longer lease lengths and an upward swing in values. In retail markets, the rapid evolution of omni-channel retailing demonstrates the extent to which consumer behaviour is changing.

Over the last five years we have followed a clear plan to fund acquisitions and our significant push into speculative development through asset disposals rather than increased debt. This is enabling us to reduce our financial gearing and strengthen the business as we move through the cycle. In March 2010, our adjusted net debt was £4.2bn and the portfolio was valued at £9.5bn. At 31 March 2015, adjusted net debt was also £4.2bn but the portfolio is now valued at £14.0bn.

Delivering into supply-constrained conditions in London

During the year we reached the peak of our construction activity in our committed programme, just as the vacancy rate of quality office space in London was heading towards all-time lows. Our sizeable development programme is proving to be well-timed and well-executed, producing a valuation surplus for the year of 38.7% or £594.4m. Key events included the opening of 20 Fenchurch Street, EC3, which is 92% let and pre-letting the entirety of 1 New Street Square, EC4, to Deloitte. Elsewhere, we achieved significant letting progress at The Zig Zag Building, SW1, and 1 & 2 New Ludgate, EC4.

We are now focused on leasing the remaining space in our programme. At the start of the financial year we had 1.7m sq ft of committed but unlet space in the capital. At 31 March 2015 we had reduced this to 1.1 m sq ft, with the total space let during the year amounting to a future rent roll of £39.7m (our share) at a weighted average lease term of 19 years. We are very confident in the prospects for this remaining space.

> "With record leasing levels across our London development programme, combined with a reshaped retail portfolio and continued financial discipline, we have delivered very strong results."

Navigating a changing retail market

This year we continued to sell shopping centres less well equipped for the future and to focus our capital and expertise on those that offer a great experience for customers and are dominant within their area. We sold assets in Sunderland, Bristol, Exeter and Livingston. We acquired a 30% interest in Bluewater, Kent, and the 50% we did not already own at Buchanan Galleries, Glasgow. These actions have substantially transformed our shopping centre portfolio, which is now first class.

Our retail parks trade well, have few voids and offer convenience to our customers. Following our move into the leisure sector we are continuing to invest in line with our strategic themes of dominance, experience and convenience and where we see value. In February, we committed to the redevelopment of Westgate, Oxford, a joint venture with The Crown Estate. And we are working on our plans for the extension of Buchanan Galleries, Glasgow. Both will provide standout retail and leisure destinations.

Building a sustainable business

Our strategy is designed to ensure we are a sustainable business through the market cycles, providing the right space for our customers – those who occupy or visit our properties – and our communities. 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 through employment. Our properties then help to generate and sustain local economic activity. Our shopping centres are major employers and our offices create demand for local services. In turn, a vibrant local economy and environment is more attractive to the customers who sustain our business.

Our work in Victoria, SW1, demonstrates this strategy in action. Whether it is helping disadvantaged Londoners get access to jobs, creating new public thoroughfares, or building essential power infrastructure to ensure a fast-growing neighbourhood has reliable electricity – we are investing in smart long-term initiatives that will benefit our customers and communities for years to come.

We continue to work hard to anticipate the changing needs and expectations of society, and adapt our business accordingly. We have set even higher environmental and socio-economic targets for the business, and we aim to be number one for sustainability in the listed real estate sector. We have appointed a new Director of Corporate Affairs and Sustainability to the Executive Committee to drive this agenda through the business. Across the business we are also working to ensure the culture, values and career opportunities at Land Securities attract and inspire great people, because ultimately it is our employees who transform strategy into results.

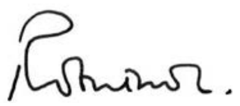
Outlook

The business is in excellent shape. Our broadly net debt neutral approach has been a bedrock of our strategy this cycle and with values having risen strongly over the last two years, we have moved into a period of lower financial and operational gearing as planned.

There remains economic and political uncertainty in Europe and elsewhere. Despite this uncertainty, we remain confident in the prospects for the 1.1 m sq ft remaining to be let in our development programme in London because there is currently a significant lack of available, efficient, technically resilient space for businesses. With development starts picking up as expected, we still anticipate any development commitments beyond the current programme will be based on pre-lettings. We will continue to build our pipeline for the future and we are delighted to have acquired 21 Moorfields, EC2 – a significant development site over the western entrance of the Liverpool Street Crossrail station.

After two exceptionally active years in our Retail Portfolio, our focus on owning and managing great destinations will continue. We will recycle capital as required. Consumer spending increased during the year, which is always welcome news for retail businesses and the outlook is more positive. However, we still do not expect this to translate into rental growth across the entire sector. We have talked about winners and losers before, and it is the locations which are most in tune with shoppers' evolving tastes and needs that are set to benefit from consumer spending growth.

We go into a new financial year with a strong balance sheet. Our portfolios are well matched to customer demand, with plenty of new space to let in great locations and some fantastic new development opportunities for the future.



Robert Noel
Chief Executive

OUR MARKET

UK commercial property market

The commercial property market provides built infrastructure for business and offers an alternative to other investment markets, including stocks and bonds. Historically, the 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 45.1% of our assets by value. The balance between supply and demand is the single most powerful driver of property values (see page 17 for more on the market cycle). Structural changes in a sector – for example, the change in retail consumer shopping habits – 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, and buying and selling property has significant friction costs compared to buying stocks and bonds.

Due to the cyclical nature of the property market, the timing of investment is critical to future returns. Timing is also important in developments, and in addition, 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 when 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 customer requirements, the needs and views of local residents and the wider community, 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.

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 for locations with high footfall.

Due to low interest rates, increasing consumer confidence and improvements in the economy, there is broad-based interest from investors across most types of retail property. There is strong interest from investors for retail assets that can consistently attract consumers and retailers.

Opportunities

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

- Shift in shopper mindset to the 'Considered Consumer' – people who tend to shop less often, travel further, expect greater choice, stay longer and want to be entertained. Landlords offering the full shopping experience can benefit.
- Catering and leisure offer is becoming ever more important. According to a recent survey (CACI), shoppers who also use catering facilities spend 26% more on retail than non-catering users, so those centres with the right retail and leisure mix can profit.
- Click and collect seeing increased usage. Users of click and collect are more valuable than non-users, as they often purchase additional items to those being collected. Centres which are able to facilitate click and collect are ideally positioned to benefit from additional spend.

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 relatively 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 the needs and expectations of customers and communities 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
- English-speaking population
- Excellent quality of life
- Access to top universities.

- Customers have a greater appetite for personalisation and are more prepared to share their personal data in exchange. Greater understanding of your consumers means centres can tailor their offer to shoppers' needs.

Challenges

Significant challenges in the sector include:

- Growing segmentation of the types of stores required – experiential stores require large units in dominant locations, while convenience stores are smaller and often located near transport hubs. Landlords unable to offer space meeting one of these criteria will struggle.
- Black Friday distorted the pattern of Christmas spending and retailers saw mixed success. For some, early sales meant longer periods of discounting and reduced margins, while others held out for the traditional sales periods and tended to fare better.
- Increasing use of digital technology, which is influencing around a third of in-store retail sales in the UK, equivalent to almost £100 billion. Consumers now have instant access to comparable data, and can find where to buy cheaper/better products online while in store.

Market during the year

Consumer confidence increased steadily throughout the year due to low interest rates and wage increases resulting in greater disposable incomes. In March 2015, the GfK NOP UK Consumer Confidence poll stood at +4, up from -5 in March 2014 (the highest in 13 years).

Omni-channel retailing continues to evolve at pace, although the rate of growth in online sales is expected to reduce, based on data from Verdict (see chart 1 opposite). Sales growth in traditional bricks and mortar stores will remain low, and concentrated in dominant shopping centres and areas of dense population.

Outlook

We expect occupier demand and property values 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 further impact all retail property, but prospects remain positive for those who are able to seamlessly integrate with digital technology and establish a role within the multichannel customer journey. The most successful retail property owners will be those who provide the right trading environments for retailers to respond to consumer trends in smart, efficient and innovative ways.

Retail sales growth Chart 1
Online vs. Bricks & Mortar

Source: Verdict

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

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
- Pressure on an ageing infrastructure, including power and sewerage
- Lack of clarity around airport expansion
- Uncertainty over residual property taxes
- Uncertainty around the UK's relationship with the EU.

Market during the year

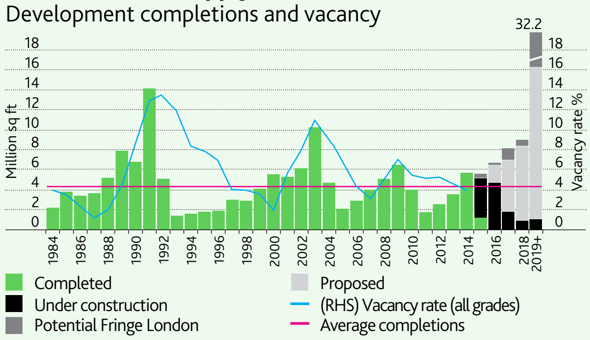
- Take-up of office space in central London for the 12 months to 31 March 2015 totalled 15.2m sq ft compared to the 10-year average rate of 12.5m sq ft
- At 31 March 2015 the vacancy rate stood at 3.3% compared to a long-term trend of 4.8%
- Over the 12 months to 31 March 2015 prime headline office rents grew by 11.1% in the city and by 11.9% in the West End.
- Following the introduction of increased taxation on residential property transactions, and uncertainty in the lead-up to the General Election, the volume of high value residential sales decreased markedly during the year.

Outlook

We expect supply-constrained conditions to continue for the foreseeable future. Although the volume of new development has picked up considerably, schemes projected to complete over the next 24 months are not expected to satisfy the forecast 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 remains. In the prime residential market, we expect volumes to improve over last year.

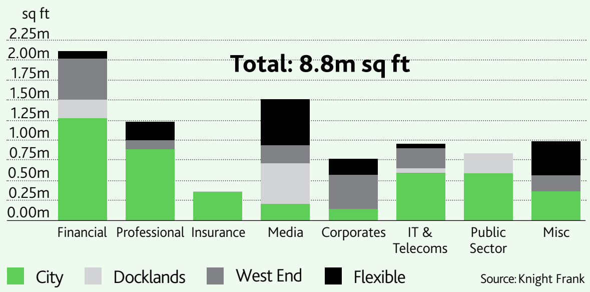
Source: CBRE (all data)

Central London supply Chart 2
Development completions and vacancy



Source: CBRE, Knight Frank, Land Securities

Active demand in Central London Chart 3
Sector and location requirement



Source: Knight Frank

For more information about our London Portfolio, go to: pages 32–33

OUR BUSINESS MODEL

Our goal is to outperform our peer group in terms of total shareholder return through the property cycles. In everything we do we aim to shape the future for good.

Sources of capital

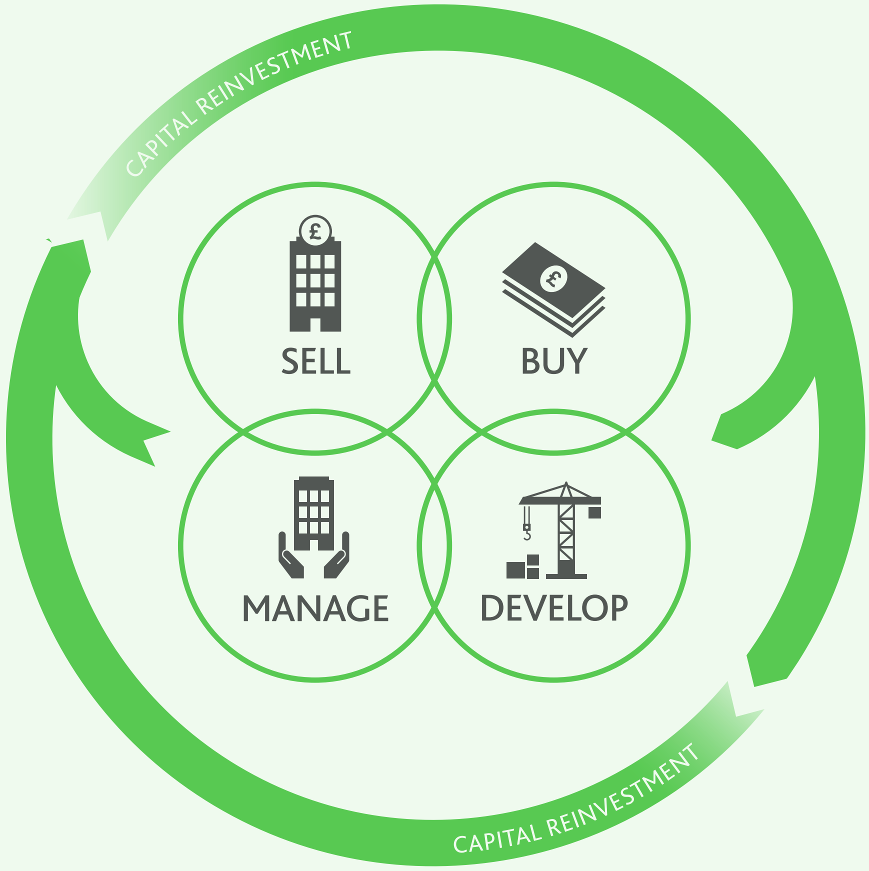
Finance capital

This includes the different types of funds we use to invest in our business, from shareholder capital to borrowings.

Social capital

This includes the relationships we have with customers, communities and partners and the capabilities of our employees.

Activity



Sources and uses of financial 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 purpose is to provide the right space 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 customers and communities.

Manage
We create value by improving buildings to meet our customers' and communities' needs, running them efficiently and considerately, and keeping them occupied.

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.

Financial aims

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 aims

Customers
Provide the right space at the right time, and in the right place at the right price.

Environment
Improve the built environment while minimising environmental impact.

Communities
Help local areas thrive economically, socially and environmentally.

Employees
Attract, recruit and develop smart, skilled and commercially astute people.

Outcome

Dividend
The quarterly payments we make to our shareholders.

Capital return
The overall change in value of our portfolio.

Reputation
The external trust and understanding we need in order to do business.

Sustainable future
The prospects we have as a company that is valued by its stakeholders.

Measure

Total business return

Dividend
The quarterly payments we make to our shareholders.

Plus

Change in net asset value
The overall change in value of 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.

Creating sustainable, long-term value

We aim to create reliable returns through the market cycle. This requires us to anticipate and respond quickly to market dynamics, adjusting the way we buy, develop, manage and sell assets. But we also look beyond current conditions, responding now to how our markets and the wider world might develop over time. This is essential if we are to ensure our portfolios evolve in the right way and we continue to create value.

For example, we think about changing political, economic, social, technological and environmental conditions, and what these might mean for our assets and for the customers who occupy or visit our properties.

We also think about the changing needs and expectations of our communities – our neighbours and those who live and/or work in the areas we do business. We consider everything from the socio-economic contribution property development and management can make to a neighbourhood through to the impact such activity may have on the natural environment.

And we consider how a changing world may influence our employees and our partners – those who have a direct working or contractual relationship with Land Securities, and those who share a mutual interest with us – so we can be sure we have the capabilities needed to do what we do best.

This long-term perspective informs our sustainability commitments – tangible actions we are taking to ensure the company helps to shape the future for good. These include a commitment that all new developments will meet or exceed best practice for energy use, water and materials. We aim to send zero waste to landfill, recycle more and maximise the biodiversity potential on all our sites. In terms of socio-economic commitments, we want a more appropriately diverse employee mix within the company in terms of background, gender, ethnicity and disability. We have also set out commitments to ensure our working environments are safe, healthy and fair. And we aim to help 1,200 disadvantaged people secure jobs.

Our vision is to be the best property company in the UK in the eyes of our customers, our communities, our employees and our partners.

You can read about our progress on these commitments on pages: pages 144–145

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
£35.8m

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. BREEAM 'Excellent' offices.

Principal occupier
Central Government

Key facts
Ownership interest
100%
Annualised net rent
£30.1m

ONE NEW CHANGE
London EC4

An office and leisure destination in an iconic building in the City of London, with a roof terrace offering striking 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. Offices BREEAM 'Excellent' and retail 'Very Good'.

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

Key facts
Ownership interest
100%
Annualised net rent
£27.6m

BLUEWATER
Kent

The dominant shopping centre in the south east of England, this 1.8m sq ft centre offers a great mix of retail and leisure located just outside the M25. Significant investment in energy efficient lighting and green roof areas has been made over the last five years.

Principal occupiers
John Lewis, M&S, House of Fraser, Next

Key facts
Ownership interest
30%
Annualised net rent
£28.6m (LS share)

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 biodiversity, the property offers office space with attractive retail and leisure facilities. Developed by Land Securities and completed in 2008. Designed as an environmental exemplar with a focus on energy efficiency and low impact materials. BREEAM 'Excellent' offices.

Principal occupiers
Deloitte, Taylor Wessing, Speechly Bircham

Key facts
Ownership interest
100%
Annualised net rent
£32.6m

20 FENCHURCH ST
London EC3

This distinctive addition to the City of London skyline was completed in 2014 and comprises 688,100 sq ft of offices and a unique public Sky Garden. BREEAM 'Excellent' offices, featuring a hydrogen fuel cell, roof mounted photovoltaic panels and one of the UK's largest living walls.

Principal occupiers
Markel, Kiln, Liberty Syndicates, RSA

Key facts
Ownership interest
50%
Annualised net rent
£nil

1 & 2 NEW LUDGATE
London EC4

Completed in April 2015, 1 & 2 New Ludgate comprises 355,300 sq ft of modern, technically resilient office space. The scheme is 68% let (including retail space), with the offices let on 19 year leases. 1 New Ludgate uses photovoltaics to generate electricity for on-site use and has a green roof terrace for biodiversity enhancement.

Principal occupiers
Mizuho, Ropes and Gray

Key facts
Ownership interest
100%
Annualised net rent
£nil

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
£16.9m

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
£22.8m

TRINITY
Leeds

Located in a prime position, this 777,000 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
£26.5m

OUR DEVELOPMENT PIPELINE

2015

April
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 355,300 sq ft office and 26,200 sq ft retail scheme was more than 60% let at completion.

Environment
1 New Ludgate uses photovoltaics to generate electricity for on-site use and has a green roof terrace for biodiversity enhancement.

Key facts

Percentage let
68%

Development cost
£254m

July
KINGS GATE (TRADING PROPERTY)
London SW1

Kings Gate is our second significant residential contribution to Victoria after Wellington House, which completed in 2012. The 108,700 sq ft scheme consists of 100 apartments, 85 of which have been pre-sold. The scheme completes in July 2015.

Environment
Sustainable design features, including the use of combined heat and power, mean that this luxury residential property will achieve Code for Sustainable Homes Level 4.

Key facts

Percentage units pre-sold
85%

Development cost
£161m

July
THE ZIG ZAG BUILDING
London SW1

188,700 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 44,500 sq ft of retail space.

Environment
Façade designed to limit solar heat gain. The design includes embedded pipework in the slab construction which can be used as part of a low energy fit out design.

Key facts

Percentage let*
34%

Development cost*
£177m

*Includes Kings Gate retail space

2016

April
20 EASTBOURNE TERRACE
London W2

The redevelopment of 20 Eastbourne Terrace will provide 92,700 sq ft of high quality office space located opposite Paddington Station and the new Crossrail entrance. Completion is due in April 2016.

Environment
Closed loop ground source heat pumps will provide 10% reduction in carbon emissions.

Key facts

Percentage let
nil

Development cost
£67m

June
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 274,800 sq ft scheme is due to complete in June 2016 and has been pre-let in its entirety to Deloitte on a 20 year lease.

Environment
The base building is designed to achieve a BREEAM 'Excellent' rating. We are working closely with our customer, Deloitte, to target a BREEAM 'Outstanding' rating for the fit out works.

Key facts

Percentage let
100%

Development cost
£180m

July
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 480,000 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 low carbon heating for 3,000+ homes in the area via the proposed link to Westminster's Pimlico district heating network.

Key facts

Percentage commercial pre-let
4%

Percentage residential units pre-sold (by number)
78%

Development cost

Commercial*
£248m

Residential*
£141m

*LS 50% share

2017

October
WESTGATE
Oxford

This 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
An 'ultra low carbon' development with a suite of 45 sustainability commitments and a partnership with local industry to use ground breaking new zero carbon technologies.

Key facts

Percentage pre-let
29%

Development cost
£220m (LS 50% share, including residential)

Beyond 2017

Portland House
London SW1

We have planning consent to convert this 1960s office tower into over 200 residential apartments with stunning views across London. We are continuing to roll our office income over to 2016 in this popular office building, retaining flexibility while we finalise our plans for this asset.

Nova – Phase II
London SW1

We have planning permissions for an additional 171,000 sq ft of space on the land currently occupied by LUL at Nova. We are revising the original planning consents and plan to take the development to grade to increase flexibility on the timing of the completion of the scheme.

21 Moorfields
London EC2

We have planning permission to deliver over 500,000 sq ft of commercial space at this key location above the future western entrance to Liverpool Street Crossrail station. We will prepare the site for redevelopment by demolishing the existing buildings and building to grade.

Worcester Woods

We submitted a planning application for a 240,000 sq ft retail development. The scheme is now 69% pre-let.

Selly Oak
Birmingham

We have planning permission for a 200,000 sq ft retail development as part of a mixed use scheme. Remediation of the site is currently ongoing by our joint venture partner, J Sainsbury.

Proposed development
Buchanan Galleries
Glasgow

This proposed 500,000 sq ft extension to our existing Buchanan Galleries shopping centre has outline planning consent and we are currently progressing contractual arrangements.

For more information about our development pipeline go to: pages 150–151

OUR STRATEGY AND PERFORMANCE

OUR STRATEGY IS DESIGNED TO ENSURE WE ARE A SUSTAINABLE BUSINESS 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 our sustainability performance.

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 businesses and people need to thrive. We also look beyond our buildings, shaping the future for good by ensuring our activities meet the expectations of our customers, communities, partners and employees.

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

You can read more about our strategic choices below. You can see our strategy in action across the Retail Portfolio and London Portfolio on pages 22–23. And you can see the progress against our KPIs for the year on pages 24–25.

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 our communities and partners to trust that our activity benefits their area. We need our customers 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 customers – that can generate strong income through the cycle. And we carefully time our development, buying and selling activities 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.

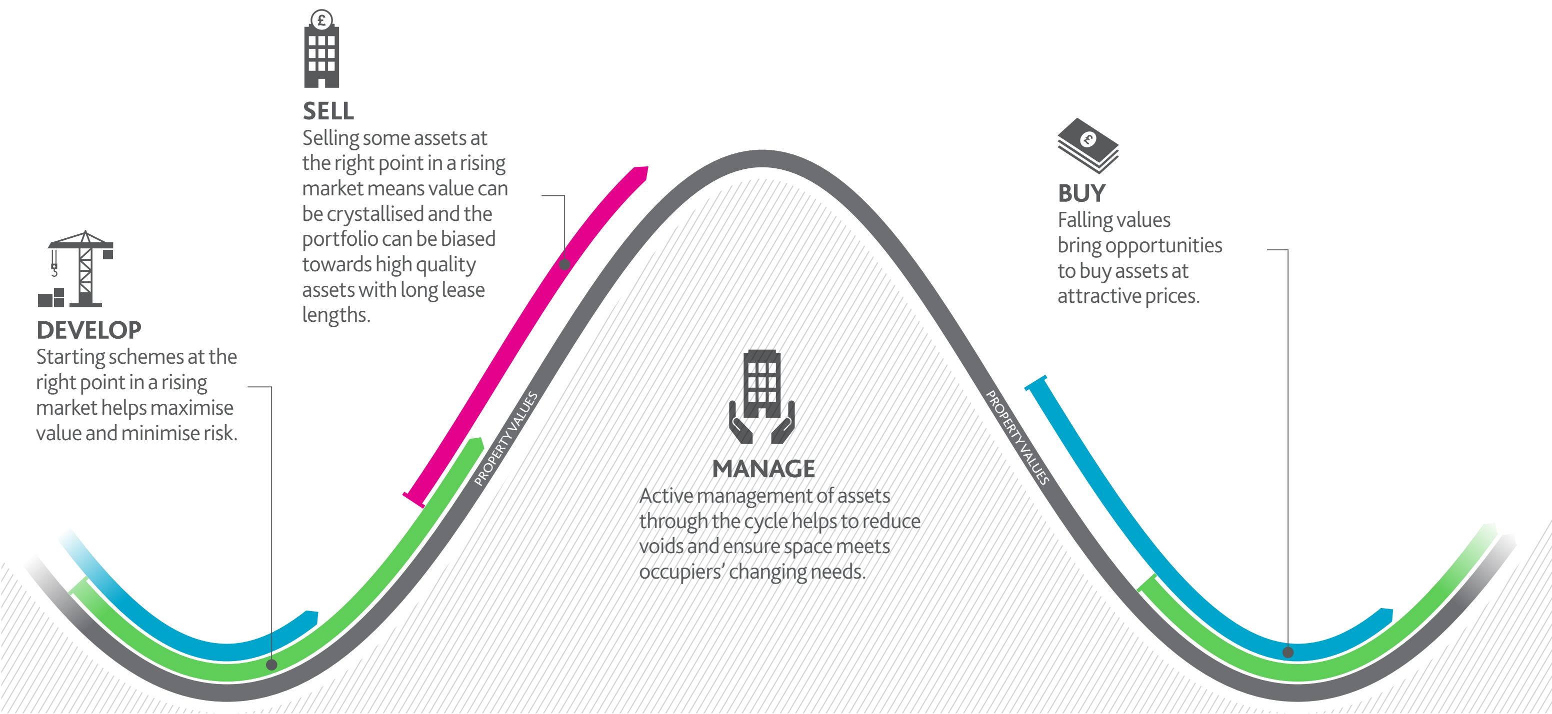
Finance
We have been following a net debt neutral financial approach as we move through the cycle. So we have broadly balanced the proceeds we received from disposals with outgoings on acquisitions and capital expenditure for developments. This approach creates strong competition for capital within the Group, so only the best options are pursued and financial gearing reduces steadily as values rise 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 customers and they generate sustainable returns in the years ahead.

Market cycle Diagram 4

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 in a rising market, while demand for space is strong. In terms of investment (owning property), companies must understand customers' changing needs so their space attracts occupiers 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 customers to take space. Our decision to move ahead is 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 customers 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, customer 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 8–9

ADDING VALUE THROUGH THE LIFECYCLE

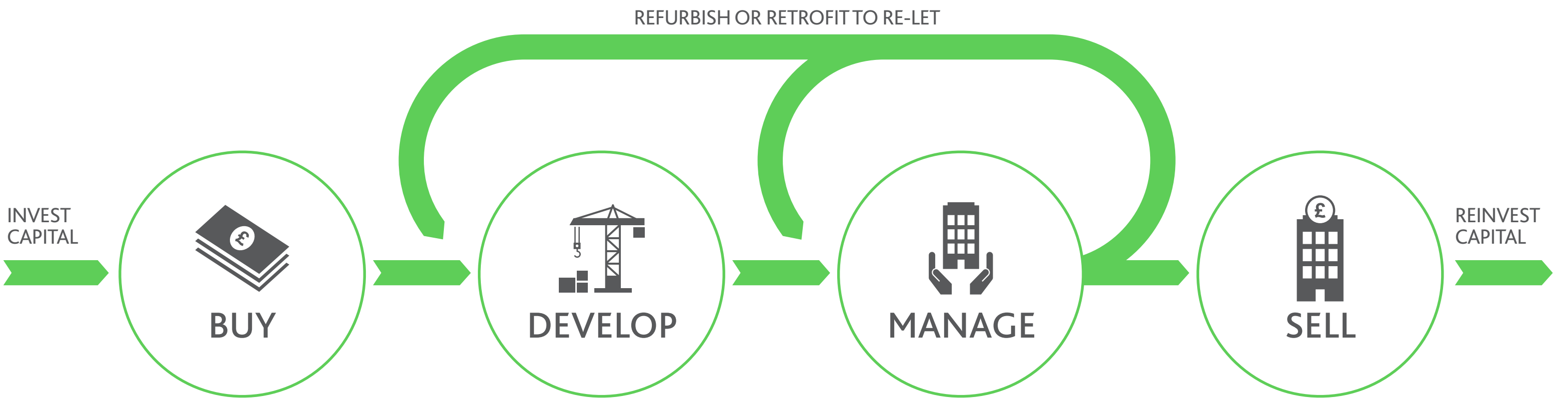
We aim to buy, develop, manage and sell assets in a way that benefits those closest to the company – our customers, communities, partners and employees.

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.

Where we acquire or develop, we work closely with our customers and communities to ensure the new space meets their needs and expectations. 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 really want from a particular building. And, because we have control, we can then take decisive action to improve things for the better.

Adding value through the lifecycle Diagram 5

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



Buy

Sustainability impact

We acquire an asset if it has the potential to meet the evolving needs of our customers and communities, can be acquired at the right price, and is likely to generate value for us over time. With an eye on sustainable value, our investment manager will assess physical and environmental due diligence information on the state of the building. This will include details on physical risks that could decrease the value of the property and legislative risk that may affect its performance and value.

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

Develop

Sustainability impact

We develop when we see an opportunity to create space that will appeal to customers, enhance the area and create financial value for us. We design for safety, health and wellbeing, considering things such as air quality and natural lighting. And we design for efficiency and productivity behind the scenes, considering areas such as reception, loading bays, lift service and power supply, with an emphasis on their effect on the customers' experience, operational resilience and energy use.

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

Our development activity supports economic prosperity by helping to create job opportunities, both through construction and the ongoing use of the space. We work with the local authority to identify areas of social need, help people access opportunities and collaborate with our partners to address key issues. In particular, our activity enables young people to raise their aspirations, improve their skills and educational standards, and stand a better chance of getting a job.

For more on our approach to development and sustainability see page 144.

Manage

Sustainability impact

We work with customers and the community to ensure a building operates as it was designed to. We redesign and refurbish space if we spot an opportunity to make it more attractive, useful and valued. We work with occupiers to manage energy, water and waste as cost efficiency and environmental factors, which helps to protect the building from external risks such as price volatility, changing regulation, supply issues and premature obsolescence.

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

For more on our approach to asset management and sustainability see page 144.

Sell

Sustainability impact

We sell an asset when we see an opportunity to deploy our capital more effectively elsewhere. 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.

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.

OUR PEOPLE STRATEGY

The capabilities and commitment of our employees help set us apart. Our people strategy is about creating the conditions where they can flourish and employees can make the greatest possible difference to the company's performance. The strategy aims to ensure we:

- Truly understand the changing needs of our customers, whether they are retail or office occupiers, or people who visit our buildings. This means developing deep and enduring relationships with our customers; having access to and sharing current insights on business and consumer trends; and measuring the experience we deliver for our customers and acting on the results.
- Accurately read the cycle of the markets in which we operate, then anticipate and respond accordingly. This means investing in 'best in class' research and analytical skills. It also means being clear on who has accountability for decision making so we can maximise the opportunities presented by the market, and manage risks appropriately.
- Deliver complex projects by drawing on our depth of technical expertise and building sustained and trusting relationships with a variety of stakeholders, some of whom will have conflicting interests.
- Apply our commercial dexterity to maximise the value of our investment portfolio. This means being nimble so we spot commercial opportunities, restructuring deals at pace where needed, and having the courage to take difficult decisions when necessary.

To make these happen we do four key things (see right):

Organisation

We work to ensure that the organisation is well matched to the current market environment and the world we see ahead, particularly the changing needs of our customers and communities. We also work to create a structure that provides clarity on who is accountable for what at all levels, while promoting the rapid sharing of knowledge and cross-team collaboration.

Talent management

We invest to ensure we can attract the best talent and that we are widely recognised as a great place to develop a career. We aim to build a deep understanding of the talent pools from which we recruit, both now and in the future. And to keep our employees engaged, we work to provide great career opportunities through effective succession planning, training, education and other development activities.

Reward for performance

We put in place total reward packages (including base pay, benefits, annual bonus plans and long-term incentives) designed to motivate our people to make the biggest possible contribution to the performance of the company as a whole, and to inspire them to be the best they can be in their individual roles.

Engagement

We provide a clear framework that defines the culture of Land Securities (purpose, goal, vision and values) while giving people the opportunity to bring it to life in different ways, both inside the business and in the way they interact with customers, communities and partners. We recognise and celebrate great examples of our values at work, and encourage the sharing of knowledge and experience. We value different backgrounds and perspectives, and give all our people the opportunity to put forward ideas and have a voice in making Land Securities a great place to work.

Over the course of 2014 and 2015 we have put in place new human resources initiatives designed to support our strategy and deliver the business capabilities that differentiate us.

For more on our actions in the year see pages 20–21

PEOPLE PERFORMANCE

Organisation

Following last year's reorganisation of the Executive Committee, we took further steps this year to improve our organisational structure. Our objective was to better support the core skills outlined in the People Strategy on page 19, and to start to embed our newly refined purpose, goal, vision and values.

The management structure, in particular our creation of two new Managing Director roles and the appointments of Scott Parsons and Colette O'Shea to those roles, is now well established. Both have built strong leadership teams with broadly consistent structures.

In Retail, we have evolved the Business Unit structure over the course of the year in line with our transformation of the portfolio. This has included the full integration of the Operations and Portfolio teams, who now manage our assets as one team. We have also appointed a new Head of Commercial for Retail, who is responsible for developing a deeper understanding of our customers' changing requirements and embedding this in marketing, leasing and customer relationship management.

This year we created a new Corporate Affairs and Sustainability team, which included the recruitment of Miles Webber in May 2015 to head that team and join the Executive Committee. His appointment as Director of Corporate Affairs and Sustainability reflects our ambition to lead the industry on sustainability and the need for all environmental and socio-economic matters to be represented at Executive Committee level by one person.

Talent management

Our Learning and Development Strategy is built around the core capabilities required by the business. This year we focused on building a leadership pipeline for the future. This recognises that technical and functional skills, although very important, are not enough.

During the year we launched two new large-scale development programmes – 'Positive Impact', aimed at all those who manage teams of people; and 'Positive Influence' for our 20 or so most senior leaders below the Executive Committee. More than 100 people have commenced these programmes, which focus on the broader skills essential to leading the business through the next phase of the market cycle – leading through change, coaching for performance, and engaging teams. The 'Positive Influence' programme has also given leaders the opportunity to work in cross-business teams to broaden their skills by tackling live business projects. For the first time, we also joined forces with two other organisations in our sector, the Grosvenor Group and the Peabody Trust, to provide a joint development activity for high potential, 'early career' professionals from all three businesses.

We believe that the creation of a learning-focused organisation, and the nurturing of talent, is about more than training, however. By clarifying our organisation's structure, holding inspiring open events, including on the communication of the Group's results, and using new internal communications technology like Yammer, we are supporting ongoing development for all employees. We are also applying insights from teams that have joined us through acquisition. For example, our Bluewater team has brought additional insights on effective ways to engage consumers on a large scale.

Reward for performance

The creation of new development programmes is only one strand of the way we retain our best people. This year we also conducted a fundamental review of our reward structures. This focused on making our annual bonus scheme more engaging for employees and more suited to the varying roles we have within the company. The new arrangements, which will apply for 2015/16, will help people to prioritise Group objectives, as opposed to Business Unit objectives, fostering a sense of 'one company'. The scheme is more flexible and provides an additional bonus opportunity to those in commercial and delivery roles who deliver truly outstanding results.

We have continued to review our full range of financial benefits, including our 'People Into Action' recognition programme. This has gone from strength to strength over the year and culminated in a group of quarterly winners coming together for a celebration dinner. A number of 'best in class' winners were rewarded for achievements that truly went above and beyond day-to-day expectations.

We also believe that one of the most powerful ways in which we can retain our best talent is by providing the opportunity to work on some of the most groundbreaking and complex developments in the UK. Lower resignation rates, particularly in London, suggest this is working. In our most recent employee Pulse Survey 96% of people in the London Business Unit said they were proud to work for Land Securities.

Engagement

Our values form the cornerstone of the Land Securities culture. Feedback from our employees indicates that, in the main, our values are very well embedded, but we have more to do to ensure that we are a truly inclusive organisation. This year we gave attention to re-articulating and bringing to life the values as a framework to guide behaviour. We added 'Accountability' as a value to promote a real sense of responsibility for the performance of the business, and many of the actions we have taken this year have helped to crystallise team and individual responsibilities.

As we reported last year, the diversity statistics for the property industry are not what we would like them to be. Internally, we have tried to break down the barriers, whether real or perceived, to anyone having a fulfilling career with us, irrespective of background, ethnicity, gender or disability. Our actions have included the extension of 'unconscious bias' training to all hiring managers, and the introduction of a new induction module about inclusive culture.

Our statistics on gender are positive, with women now making up 51% of our workforce, and with some very strong senior role models (29% of the Executive Committee, 42% of the London, and 57% of the Retail Executive Committees are women). Further diversity information can be found in the governance report on page 44. However, our ethnic mix has not improved, and we are convinced that the key to changing this is for us to work even more closely with the communities in which we operate. Along with our existing range of employment initiatives, this year we created a Land Securities school leaver trainee academy. Although small, this has provided a very welcome injection of new talent into the business.

The Employee Forum (previously known as the Exchange Forum) is supporting the Executive Committee on clearly defining and communicating our commitment to diversity.

Safety, health and wellbeing

We are committed to having an exceptional standard of safety, health and wellbeing in all the working environments we control. We aim to make the following three objectives standard across our construction sites by 2020:
Safety – zero reportable health and safety incidents (this includes our managed operations)
Health – every worker to have a transferable, occupational health record
Wellbeing – key construction and managed portfolio partners to have implemented a wellbeing policy.
We are working hard across the company and with our key partners to make this happen.

Values in short

Customer Service
Be sure you understand your customers and don't let them down.

Innovation
Be open to new ways of doing things.

Excellence
Be the best possible version of you.

Integrity
Be open, honest, reliable and consistent.

Accountability
Be responsible for your actions.

Respect
Be fair with everyone.

Human rights

Last year the Board approved our human rights policy which aims to recognise and safeguard the human rights of all citizens in the business areas in which we operate. This year we extended the policy to key supply chain partners. The policy was issued to our principal suppliers and we have received a compliance statement from 56%. Over the next 12 months we will look further into our supply chain to see how the issues are managed and how we can influence best practice through procurement.

ENGAGEMENT SURVEY RESULTS

93%
of our people are proud to work for Land Securities.

89%
would recommend Land Securities as a good place to work.

87%
feel that the Executive Committee provide a strong sense of direction.

83%
feel that decisions are consistent with the values.

THE POWER OF COLLABORATION

Mizuho Group will occupy our 2 New Ludgate, EC4 development, making it their European headquarters. This will represent a further milestone in a remarkable collaboration. The building needed to meet Mizuho's exact specifications and schedule. A resilient power supply was essential to support its 24/7 financial operations, for example. To meet the customer's needs we brought together experts in development, engineering, leasing, property management and project management to work as one team – from day one. By creating strong relationships within the company, we have been able to create a strong relationship outside the company, overcoming tough technical challenges along the way.

MENCAP STORY

We partner with other organisations to create training, work experience and job opportunities for people who are finding it difficult to enter employment, including those with a learning disability. This year we worked particularly closely with Mencap, our national charity partner. We've seen for ourselves how difficult it can be for people with these disabilities to gain employment. We've also seen that those individuals often make superb employees. Over the 12 months our collaboration with Mencap and supply chain partners helped 15 people with a learning disability get permanent jobs.

ROUTES TO EMPLOYMENT

ACADEMIC PROGRAMMES

Candidates via locally identified **Schools/colleges**
- School children <16 yrs
- At school or in further education 16–18 yrs
- School leavers
- Undergraduates
- Graduates
- Post-graduates

Academic programmes
Land Securities' initiated activity to raise awareness of opportunities and improve skills facilitated by Land Securities' volunteers.

'New or returning to work' programmes
Land Securities' initiated structured programmes designed to prepare young adults or those returning to work.

COMMUNITY EMPLOYMENT PROGRAMMES

Candidates via locally identified **Referral partners**
- Not in education, employment or training (NEETs)
- Long-term unemployed
- Learning disability
- Homeless
- Offenders

Employability hubs
Initiatives driven by Land Securities but working in partnership with referral partners and relying on supply chain job placements.

Grants / volunteers
Financial grants or Land Securities' time contributed to charitable or social enterprises designed to deliver employment outcomes.

Industry exposure, skills and experience

Opportunities and outcomes
- Land Securities and its peers
- With retail or office occupiers
- Through supply chain or other partners
- Progress to further education

OUR STRATEGY IN ACTION 2014–15

Retail Portfolio – strategy

We create value by providing customers with new or more efficient space that helps drive their business. 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 customers, are both committed to the scheme. We use our close relationships with retailers to ensure we understand their changing needs. We help them 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 managing our portfolio to ensure our assets provide a great day out. We are also seeing rising demand for convenience from shoppers and new formats from retailers, so we are evolving our edge-of-town and out of town assets. Geographically, we are focusing our activity in the south east and the best regional destinations.

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

BUY

BLUEWATER
Kent

We acquired a 30% stake in Bluewater, Kent for £657.0m. In addition, we acquired the full asset management of the centre and 110 acres of surrounding land for £40.0m. The acquisition forms part of the strategic shift of our Retail Portfolio towards dominance, experience and convenience and brings with it management of the UK's pre-eminent shopping centre outside London.

BUCHANAN GALLERIES
Glasgow

We increased our interest in Buchanan Galleries, Glasgow to 100% by buying the remaining 50% stake for £137.5m.

DEVELOP

BISHOP CENTRE
Taplow

Construction of this 105,000 sq ft edge-of-town scheme completed in July last year, and the centre is now 100% let.

WESTGATE
Oxford

In February, we committed to proceed with work on the re-development of Westgate, Oxford, together with our partners The Crown Estate. This 800,000 sq ft centre will provide a world-class retail and leisure destination in Oxford, with around 100 stores, 25 restaurants, cafes and bars, a boutique cinema, roof top terrace dining, new public spaces and over 60 residential apartments. The centre is now 29% pre-let, and will be anchored by John Lewis.

BUCHANAN GALLERIES
Glasgow

Following our acquisition of the remaining 50% and close liaison with local partners, we achieved planning consent for a major extension to Buchanan Galleries, Glasgow, and we are currently progressing contractual arrangements.

MANAGE

BLUEWATER
Kent

At Bluewater we see opportunities to reformat space to better meet the needs of customers. We have already enabled Next to increase its presence by turning three separate units into a new flagship store. We are also upgrading the quality and mix of catering at the centre.

GUNWHARF QUAYS
Portsmouth

We are continuing to see healthy sales growth as we focus our asset management plans on premium brands taking new space at the centre. We have begun works to relocate Polo Ralph Lauren to a new 16,500 sq ft store which will be their largest standalone outlet store in the UK.

ST DAVID'S
Cardiff

Our focus is on bringing new retail and catering brands to Cardiff and highlights include the first Wahaca in the south west, Scotts, a leading branded menswear offer and Discovery Adventure Golf, a new indoor leisure destination.

BLACKPOOL RETAIL PARK
Blackpool

Work has commenced to reconfigure a number of units allowing the introduction of new occupiers to the park. We have submitted a planning application for a convenience food store on some redundant industrial units adjoining the park.

SELL

Our focus on dominance, experience and convenience has driven our disposals strategy.

THE BRIDGES
Sunderland

We sold this 550,000 sq ft shopping centre for £152.3m. We took advantage of strong market conditions for retail assets to crystallise value from this asset which was no longer part of our strategic focus.

CABOT CIRCUS
Bristol

We demonstrated the pace at which we are reshaping the Retail Portfolio to focus on the very best shopping environments with the disposal of our 50% stake in Cabot Circus shopping centre, Quakers Friars and surrounding shops in Bristol for £267.8m.

PRINCESSHAY
Exeter

In line with our strategy of focusing on shopping centres which are dominant in their location, we sold our 50% stake in Princesshay shopping centre and surrounding properties in Exeter for £127.9m, as part of a swap for 50% of Buchanan Galleries, Glasgow.

THE CENTRE AND ALMONDVALE WEST RETAIL PARK
Livingston

We sold these two assets in Livingston for £224.1m. With this sale, we completed the disposal of our last secondary shopping centre and our shopping centre portfolio now consists of dominant regional and Greater London assets.

London Portfolio – strategy

We create value by developing office, retail, leisure and residential space; strengthening income through smart, rigorous asset management; and recycling our capital through well-timed disposals 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 generally develop speculatively, which requires us to have a very clear understanding of customers' changing needs and the likely balance between supply and demand on completion. Our current development programme is well matched to market conditions.

Everything we do is driven by the need to understand our customers, partners and communities. 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 that the public realm and facilities in and around our buildings make the area more attractive and enjoyable for everyone.

For more information about our London Portfolio go to: pages 32–33

BUY

We strengthened our pipeline of future opportunities by making two key acquisitions in the year:

21 MOORFIELDS
EC2
This development opportunity sits over the future western entrance to Liverpool Street Crossrail station and will deliver over 500,000 sq ft of commercial space. We acquired this asset at an attractive price, and are working up our plans for the future development.

THOMAS MORE SQUARE
E1
We secured our partner's 50% interest in Thomas More Square, E1. The acquisition will enable us to capture greater value as we refurbish the main office tower, add new retail space and enhance the public realm.

DEVELOP

20 FENCHURCH STREET
EC3
We started construction in 2010 and completed the office space last year with the Sky Garden opening to the public in January 2015. The scheme is now 92% let, achieving longer leases and higher rents than anticipated. As a result, this new addition to the London City skyline delivered a valuation surplus of over 90% since the start of the scheme.

1 & 2 NEW LUDGATE
EC4
Our mixed-use development at 1 & 2 New Ludgate, EC4, has created two exceptional buildings near the planned Crossrail/Thameslink interchange. The offices are now 71% let with average lease lengths of 19 years – again, reflecting the supply constrained nature of this part of the City. The development completed in April 2015.

KINGS GATE
SW1
This 100 apartment scheme will complete in July 2015. 85 apartments are pre-sold.

THE ZIG ZAG BUILDING
SW1
Construction of this commercial office and retail scheme is now due to complete in July 2015. The office space is already 32% pre-let and 52% of the retail space at The Zig Zag Building, SW1, and Kings Gate, SW1, is now pre-let to Jamie's Italian, Iberica and Mango.

1 NEW STREET SQUARE
EC4
This 275,000 sq ft scheme was pre-let in its entirety to Deloitte in March on a 20 year lease. The development is located within a ten minute walk of Blackfriars and Farringdon, where Crossrail meets Thameslink. The letting success, some 15 months ahead of project completion, reflects the product and supply-constrained conditions into which we are delivering our assets.

NOVA, VICTORIA
SW1 – Phase I
Construction of this 726,000 sq ft office, retail and residential scheme is progressing well. 12% of the office space is in solicitors' hands and we have sold 133 of the 170 apartments. Seven of the 18 retail units are pre-let with a further six in solicitors' hands, creating London's newest and most exciting restaurant quarter.

MANAGE

TIMES SQUARE
EC4
We successfully lengthened the income by restructuring two leases. This enabled us to maximise value prior to disposal.

DASHWOOD HOUSE
EC2
Over 81% of the income at Dashwood House, EC2, is subject to rent review by March 2016. Ahead of these reviews, we have achieved a new benchmark rent through some surrender and re-leasing activity.

130 WOOD STREET
EC4
Through agreeing a surrender of a lease of the top floor, and subsequently re-letting to the majority occupier for 10 years, we increased the ERV and weighted average unexpired lease term on this building.

Void rate and lease length
Our like-for-like void rate increased to 4.3% at 31 March 2015 compared to 1.6%. The main contributors were a digital sign at Piccadilly Lights, W1, where the lease expired before the year end, Thomas More Square, EC1, New Street Square, EC4, Holborn Gate, EC4, where we are refurbishing the space, and Portland House, SW1, a pre-development property. Lease extensions and renewals in the portfolio have maintained the weighted average unexpired office lease length at 9.2 years.

SELL

47 MARK LANE
EC3
We sold 47 Mark Lane, EC3 for £73.2m, taking advantage of the strong investment market to crystallise the valuation gain created by letting and lease re-gearing activity.

TIMES SQUARE
EC4
Following the recent asset initiative to lengthen the income, and maximise value, we exchanged contracts to sell our 95% stake in Times Square, EC4, for £268.4m.

ORIANA
W1
Following a lease extension to Primark, we have sold Phase I of Oriana for £126.8m (our share) and agreed a forward sale of Phase II on completion.

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 2.3% per annum for the three year period from April 2012
Maximise the returns from the investment portfolio	One year and three year Total Property Return (TPR) performance compared to the IPD Quarterly Universe, weighted to the sectors in which the Group is invested	Outperformance versus the benchmark of 3.1% over one year and outperformance over three years of 1.0% per annum
	Revenue profit to exceed an internal threshold	Achieved. Revenue profit of £329.1m was above an internal threshold
Manage our balance sheet effectively	Manage Retail Portfolio acquisitions and disposals within a maximum net disinvestment target	Achieved. Retail Portfolio net investment of £12.2m over the year
	Increase the geographical concentration limit for London assets within our secured lending pool to at least 80%	Achieved. Concentration limit increased to 100%
Maximise development performance	Secure a minimum of £28.6m of development lettings and conditional lettings	£47.6m of development lettings and conditional lettings achieved in the year
	Achieve planning milestones for five specific London and Retail assets	Planning milestones achieved for four out of five assets
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 4.2 London 4.2
Attract, develop, retain and motivate high performance employees	60% of people managers to have commenced/ completed Management Development Programme	Achieved. 79% of people managers have commenced/completed the Management Development Programme
	50% of the Top 50 Leaders to have accessed the Leadership Development Programme	Achieved. 50% of the Top 50 leaders have accessed the Leadership Development Programme
Continually improve sustainability performance	Reduce the absolute energy consumption of our five largest energy consuming managed buildings by 15% by 2020 against a 2014 baseline	Reductions achieved at each property, resulting in an overall reduction of 7%
	Zero waste to landfill (at least 70% recycled)	London: Diverted – 100%. Recycled – 50.6% Retail: Diverted – 99.8%. Recycled – 71.1%
	Reduce the absolute water use of our five largest water consuming managed buildings by 15% by 2020 against a 2014 baseline	Reductions achieved at two office properties, increases seen at two retail properties, resulting in an overall reduction of 1%
	Secure employment for 125 candidates through our Community Employment Programmes	157 people secured employment through our Community Employment Programmes

For more information on our Remuneration policy go to: pages 58–67

Remuneration	Read more	KPI for 2015/16	Linked to remuneration	Read more
50% of the award of long-term share investment plans is determined by the three year TSR performance compared to the comparator group	Remuneration see page 75	Three year TSR performance compared to the TSR performance (weighted) of a comparator group of property companies within the FTSE 350 Real Estate Index	✓	See page 70
50% of the award of long-term share investment plans is determined by the three year TPR performance compared to our benchmark. 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	Remuneration see page 74 Our principal risks see page 35	One year and three year TPR compared to all March valued properties within IPD	✓	See page 70
Forms part of the specific business targets which determine a proportion of annual bonus	Remuneration see page 74 Our principal risks see page 35	Revenue profit to exceed a rebased internal threshold	✓	See page 70
Forms part of the specific business targets which determine a proportion of annual bonus	Remuneration see page 74 Our principal risks see page 35	Disposal of specific assets to fund our investment activity	✓	See page 71
Forms part of the specific business targets which determine a proportion of annual bonus	Remuneration see page 74 Our principal risks see page 36	Progress development lettings within our development programme Progress on planning applications	✓	See page 71
Forms part of the specific business targets which determine a proportion of annual bonus	Remuneration see page 74 Our principal risks see page 36	Maintain overall customer satisfaction rates in Retail and London customer surveys of 4 (out of 5) or over	✓	See page 71
Forms part of the specific business targets which determine a proportion of annual bonus	Remuneration see page 74 Our principal risks see page 36	Embedding of the Purpose, Vision and Values throughout the business with positive effect on engagement	✓	See page 71
		Leadership in gender and ethnic diversity	✓	
No direct link to remuneration	Remuneration see page 74 Our principal risks see page 36	Reduce the absolute energy consumption of our five largest energy consuming managed buildings by 15% by 2020 against a 2014 baseline	✗	See page 71
No direct link to remuneration		Send zero waste to landfill with at least 70% recycled across all our operational and construction activities by 2020	✗	
No direct link to remuneration		Reduce the absolute water use of our five largest water consuming managed buildings by 15% by 2020 against a 2014 baseline	✗	
Forms part of the specific business targets which determine a proportion of annual bonus		170 people through training and into jobs via our Community Employment Programmes	✓	
		Embedding of the Purpose, Vision and Values throughout the business	✓	
		Leadership in gender and ethnic diversity	✓	
		Mandatory health and safety training (M1 & M2) to be completed within six months of joining (M1 100%, M2 80%)	✓	

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FINANCIAL REVIEW

Financial highlights

Total business return

30.7%

Ungeared total property return

23.0%

Increase in adjusted diluted NAV per share

27.6%

Our highlights

- Profit before tax £2,416.5m (2014: £1,108.9m)
- Revenue profit £329.1m (2014: £319.6m)
- Adjusted diluted earnings per share 41.5p, up 2.5%
- Adjusted diluted NAV per share 1,293p, up 27.6%
- Recommended total dividend for the year 31.85p, up 3.7%

Overview and headline results

This year we delivered a profit before tax of £2,416.5m, compared with £1,108.9m last year, driven by a valuation surplus of £2,036.9m (including our proportionate share of subsidiaries and joint ventures). Basic earnings per share were 306.1p compared with 142.3p. Underlying earnings were also up; revenue profit was £329.1m compared with £319.6m last year and adjusted diluted earnings per share improved to 41.5p from 40.5p.

Our Combined Portfolio increased in value from £11.9bn at 31 March 2014 to £14.0bn, principally as a result of our valuation surplus of £2,036.9m. Net assets per share increased by 25.6% to 1,343p at 31 March 2015. Adjusted diluted net assets per share were up by 27.6% over the year, increasing from 1,013p to 1,293p. This 280p increase in adjusted diluted net assets per share together with the dividend paid in the year represents a 30.7% 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, but 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%. Our joint operations are presented on a proportionate basis in all financial measures.

Revenue profit

Revenue profit is our measure of underlying pre-tax profit, which is used internally 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. The main components of revenue profit are presented on a proportionate basis in the table below and a more detailed reconciliation of revenue profit to our IFRS profit before tax is included in note 4 to the financial statements.

Revenue profit — Table 6

	Retail Portfolio £m	London Portfolio £m	31 March 2015 £m	Retail Portfolio[2] £m	London Portfolio[2] £m	31 March 2014 £m	Change £m
Gross rental income[1]	**367.7**	**273.1**	**640.8**	368.4	263.0	631.4	9.4
Net service charge expense	**(2.8)**	**0.6**	**(2.2)**	(3.4)	–	(3.4)	1.2
Net direct property expenditure	**(25.3)**	**(13.8)**	**(39.1)**	(28.5)	(5.5)	(34.0)	(5.1)
Net rental income	**339.6**	**259.9**	**599.5**	336.5	257.5	594.0	5.5
Indirect costs	**(29.7)**	**(21.6)**	**(51.3)**	(28.0)	(19.2)	(47.2)	(4.1)
Segment profit before interest	**309.9**	**238.3**	**548.2**	**308.5**	**238.3**	**546.8**	**1.4**
Net unallocated expenses			**(39.4)**			(36.5)	(2.9)
Net interest expense – Group			**(155.4)**			(168.0)	12.6
Net interest expense – joint ventures			**(24.3)**			(22.7)	(1.6)
Revenue profit			**329.1**			**319.6**	**9.5**

1. Includes finance lease interest, after rents payable.
2. The split of net rental income and segment profit before interest between the London Portfolio and the Retail Portfolio has been restated by £1.3m in the prior year to reflect the impact of properties transferred from the London Portfolio to the Retail Portfolio during the current year.

Valuation analysis — Table 7

	Market value 31 March 2015 £m	Valuation surplus %	Rental value change[1] %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Shopping centres and shops	**2,025.7**	19.5	0.3	4.6	4.8	(81)
Retail warehouses and food stores	**1,130.8**	2.2	(0.9)	5.4	5.5	(20)
Leisure and hotels	**797.2**	17.5	4.3	5.4	5.5	(80)
London offices	**4,051.6**	18.3	10.0	4.0	4.5	(52)
Central London shops	**1,094.7**	16.4	2.5	3.6	4.4	(55)
Other (Retail and London)	**102.7**	20.4	2.7	1.6	3.1	(51)
Total like-for-like portfolio	**9,202.7**	**16.0**	**4.3**	**4.3**	**4.8**	**(58)**
Proposed developments	**290.0**	1.0	n/a	4.7	n/a	n/a
Completed developments	**962.1**	14.2	(0.6)	4.1	4.7	(60)
Acquisitions	**1,425.1**	6.2	n/a	4.7	5.4	n/a
Development programme	**2,151.5**	38.7	n/a	0.2	4.4	n/a
Non-current assets held for sale	**n/a**	12.2	n/a	n/a	n/a	n/a
Total Combined Portfolio	**14,031.4**	**17.3**	**3.8**	**3.7**	**4.8**	**(67)**

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

Table 6 shows the composition of our revenue profit including the contributions from London and Retail. Revenue profit increased by £9.5m from £319.6m last year to £329.1m in the year ended 31 March 2015. The 3.0% increase was mainly due to higher net rental income, which was up £5.5m, and a decrease in net interest expense of £11.0m, offset by £7.0m of net indirect expenditure. The increase in net rental income is largely due to the acquisition of 30% of Bluewater, Kent, with the benefit of development completions largely offset by prior and current year disposals. The assets sold during the year contributed £47.6m of net rental income to this year's results. 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 £90.7m compared with £83.7m last year. The £7.0m increase in these costs is due to a £2.8m increase in feasibility costs associated with properties we did not own during the year, principally 21 Moorfields, EC2, with the balance largely due to higher variable pay and long-term incentives. Further information on our total costs is given in table 69.

Our net interest expense has decreased by £11.0m to £179.7m, largely due to the repayment of more expensive asset specific debt with cheaper group facilities.

Valuation surplus and profits on disposal

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 £2,036.9m. We made a profit on the disposal of investment properties and joint ventures of £136.0m (on a proportionate basis), compared with £18.5m last year. The profit on disposals represented a 15.3% surplus over 31 March 2014 values and was largely attributable to The Centre, Livingston and The Bridges, Sunderland. A breakdown of the valuation surplus by category is shown in table 7.

Over the year to 31 March 2015, we have seen yields fall and values rise across every category of our Combined Portfolio as a result of strong investor demand for commercial property. Overall, values were up by 17.3%, with the like-for-like portfolio up by 16.0% driven by a combination of a 58 basis points reduction in equivalent yields and a 4.3% increase in rental values.

Our shopping centres increased in value by 19.5% predominantly due to yields declining by 81 basis points. Our retail warehouses and food stores were up 2.2% in value as yields reduced by 20 basis points. Partly offsetting this yield movement, overall rental values were down 0.9% as the occupational market remained challenging with limited demand for larger units. Leisure and hotels reported a 17.5% valuation surplus as equivalent yields reduced by 80 basis points and rental values grew by 4.3%. Consumer spending in this sector continues to increase as economic confidence grows and consumer behaviour evolves.

Strong investment demand for London offices has reduced yields by 52 basis points, with rental values also improving by 10.0%, contributing to an overall increase in value of 18.3%. The value of central London shops rose by 16.4% with a rise in rental values of 2.5%, and a 55 basis points yield reduction.

Outside the like-for-like portfolio, completed developments increased in value by 14.2% due to a 60 basis points reduction in yields, although rental values decreased marginally due to Trinity Leeds where retailer administrations have led to some lower appraised rents. Within acquisitions, the value of Bluewater, Kent was unchanged while our X-Leisure assets were up 9.9%. The development programme valuation surplus was 38.7% due to continued construction and pre-letting progress on our major schemes particularly 1 & 2 New Ludgate, EC4, The Zig Zag Building, SW1 and 1 New Street Square, EC4.

Earnings per share

Basic earnings per share were 306.1p, compared with 142.3p 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 2.5% from 40.5p last year to 41.5p per share this year as a result of the increase in revenue profit, partly offset by a small impact from the additional shares issued under the scrip dividend scheme which we operated until April 2014.

Total dividend

We are recommending a final quarterly dividend of 8.15p per share to be paid on 24 July 2015 entirely as a Property Income Distribution (PID) to shareholders registered at the close of business on 19 June 2015. Taken together with the three quarterly dividends of 7.9p already paid, our full year dividend will be up 3.7% at 31.85p per share (2014: 30.7p) or £251.6m (2014: £241.5m).

The Company operated a scrip dividend scheme in respect of the quarterly dividend paid in April 2014 and the scrip dividend amount of £17.2m (2014: £61.1m) comprised a wholly non-PID distribution. A dividend reinvestment plan (DRIP) was introduced in place of the scrip dividend scheme and was operated for the first time in respect of last year's final dividend paid on 22 July 2014.

For certain shareholders, it is more efficient to receive dividends as a non-PID. However, there is a limit to the amount of non-PID dividend we can pay as we are required to distribute 90% of our earnings (calculated on a tax basis) as a PID. As a result, we expect our dividends over time to comprise a mix of PID and non-PID elements. Further information on the dividends paid and payable in respect of the year is given in note 12.

Net assets

At 31 March 2015, our net assets per share were 1,343p, an increase of 274p or 25.6% from 31 March 2014. 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 2015, adjusted diluted net assets per share were 1,293p per share, an increase of 280p or 27.6% from 31 March 2014.

Table 8 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 8

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Net assets at the beginning of the year	**8,418.3**	7,486.7
Adjusted earnings	**329.1**	319.1
Valuation surplus on investment properties	**2,036.9**	763.8
Profit on disposal of investment properties	**132.7**	16.0
Profit on disposal of investments in joint ventures	**3.3**	2.5
Profit on disposal of trading properties	**31.5**	2.4
Impairment of goodwill	**(29.7)**	–
Impairment on long-term contract	**(11.3)**	–
Fair value movement on interest-rate swaps	**(34.8)**	15.2
Other	**(40.9)**	(2.4)
Profit after tax	**2,416.8**	1,116.6
Cash dividends	**(229.4)**	(175.6)
Purchase of own shares and treasury shares	**(12.0)**	(16.0)
Other reserve movements	**12.6**	6.6
Net assets at the end of the year	**10,606.3**	8,418.3
Fair value of interest-rate exchange swaps	**39.8**	3.6
Debt adjusted to nominal value	**(391.7)**	(413.2)
Deferred tax liability	**5.8**	–
Goodwill on deferred tax liability	**(5.8)**	–
Adjusted net assets at the end of the year	**10,254.4**	8,008.7

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

Long-term contracts and trading properties

During the year the Group recognised profits of £31.5m on the disposal of trading properties, primarily due to the sale of a parcel of land at Harrow following receipt of planning permission for residential development.

In relation to our long-term contract at Lodge Hill, Chattenden, where we have been working on behalf of the Ministry of Defence to obtain the necessary permissions to enable residential development, we have recognised a loss of £11.3m due to increased uncertainty over the recoverability of our costs to date following the disappointing decision by the Secretary of State to call in the proposed scheme for public inquiry.

Bluewater, Kent

In June, the Group acquired a 30% interest in Bluewater, together with full asset management rights for the centre, and 110 acres of surrounding land for £697.0m including business combination costs of £2.7m.

The Group has accounted for the transaction in accordance with IFRS 3 'Business Combinations' and therefore applied purchase accounting. Goodwill of £35.5m arose on the transaction, primarily representing the difference between the value of the investment property as assessed by our external valuer, and the consideration paid. The difference is largely due to prospective purchasers' costs, which are deducted by the external valuer in determining the investment property value, as well as a lower value being attributed to the 110 acres of surrounding land, where we felt it was appropriate to pay a premium for the land on the basis of its long-term potential and adjacency to the Group's land at Ebbsfleet. The Group has considered whether this element of goodwill is recoverable, and has concluded that it is not. £29.5m of the goodwill has therefore been written off to the income statement in the year. This left an initial balance of £6.0m of goodwill, of which £0.2m was impaired in the year. Further details on the goodwill and the assets and liabilities acquired as part of the transaction are given in note 41 to the financial statements.

The Group's investment in Bluewater represents a joint operation. Therefore, in accordance with IFRS, the Group's share of the results, assets and liabilities of Bluewater are included in the Group's financial statements on a line by line basis. This is in contrast to the Group's joint ventures, where the Group's interest in joint ventures is presented on one line in the income statement and balance sheet.

Net debt and gearing

Over the year, our net debt increased by £470.0m to £3,800.5m. The main elements behind this increase are set out in our statement of cash flows.

Operating cash inflow after interest and tax was £233.5m, higher than the £158.6m received last year primarily due to the timing of interest payments in the prior year. We spent £805.0m on acquisitions including a 30% interest in Bluewater, Kent and our partners' 50% interest in Buchanan Galleries, Glasgow and Thomas More Square, E1. Capital expenditure was £270.3m, largely relating to our wholly owned developments in Victoria, SW1 and 1 & 2 New Ludgate, EC4, and we contributed a net £133.6m to our joint ventures to fund developments at 20 Fenchurch Street, EC3 and Nova, Victoria, SW1 and enable St David's, Cardiff to repay its external debt. Offsetting these investments in our portfolio were disposals proceeds of £741.9m, primarily from Cabot Circus, Bristol, The Centre, Livingston, The Bridges, Sunderland, and Princesshay, Exeter. We paid cash dividends of £229.4m in the year.

Adjusted net debt, which is presented on a proportionate basis and includes the nominal value of our debt but excludes the mark-to-market on our swaps, was up £223.4m to £4,171.7m (31 March 2014: £3,948.3m). A reconciliation between net debt and adjusted net debt is given in note 21 to the financial statements.

Table 9 below sets out various measures of our gearing.

All our gearing measures have decreased compared to last year as the increase in the value of our assets was more than enough to offset the small rise in our adjusted net debt. 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 32.5% at 31 March 2014 to 28.5% at 31 March 2015. This is consistent with our strategy at this stage in the property cycle of allowing gearing to decline as property values rise.

Our Security Group LTV decreased to 31.5% (31 March 2014: 35.5%) largely as a result of capital growth in the secured asset pool, partly offset by an increase in Security Group debt.

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 put in place a £500m acquisition facility that expires in September 2016 to fund the investment in Bluewater, Kent, replacing an existing facility that was due to expire in September 2014. In March 2015, we replaced our £1,085m revolving credit facility with a new £1,255m facility. The new facility has a term of five years which may be extended to a maximum of seven years at the Group's request and upon approval from each participating bank. The pricing of our debt facilities, all of which fall due in more than one year, ranges from LIBOR +75 basis points to LIBOR +120 basis points. In addition, we raised £180m through the issue of unsecured Euro Commercial Paper at approximately LIBOR +20 basis points.

The weighted average duration of the Group's debt (on a proportionate basis) is 8.3 years with a weighted average cost of debt of 4.5%, with 90.9% at fixed interest rates. At 31 March 2015, we had £1.4bn of cash and available facilities. As we demonstrated with the Bluewater acquisition this year, we have considerable flexibility to deploy capital quickly should an acquisition opportunity arise.

Environmental reporting

Reduction of energy consumption within commercial properties is key to meeting the Government's carbon reduction targets. Commercial properties account for approximately 18% of the total UK energy consumption and recent legislation is aimed at driving reductions within the industry. Energy reduction is one of the areas where we can engage with our customers to ensure that our buildings are efficient.

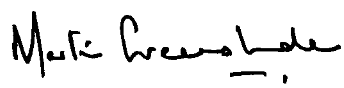
We are reporting an overall reduction of 8% in energy consumption across our like-for-like portfolio, with the London and Retail portfolios reducing their energy consumption by 8% and 10% respectively. During the year, DEFRA issued new carbon conversion factors as a consequence of a more carbon intensive UK fuel mix, which has resulted in a marginal 1% increase in normalised equivalent CO_2 emissions from our like-for-like portfolio against our 2014 baseline (down 8% had we used 2014 carbon conversion factors).

This year we have focused our corporate targets on energy reduction. To this end, we are targeting our five highest consuming properties which collectively account for 37% and 18% of our portfolio's energy and water consumption respectively with the aim of obtaining a 15% reduction in absolute energy consumption and landlord water consumption by 2020. Customer and service partner engagement is key in meeting these goals and we are working closely with all stakeholders to ensure these targets are met.

For our mandatory carbon report see page 146 and our performance page 144. For baseline adjustments see www.landsecurities.com/sustainability.

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. There was a tax credit of £0.3m in the year, £0.2m relating to deferred tax arising on the acquisition of Bluewater, Kent and £0.1m relating to prior year adjustments (31 March 2014: £7.7m).



Martin Greenslade
Chief Financial Officer

Gearing — Table 9

	31 March 2015 %	31 March 2014 %
Adjusted gearing[1] – on a proportionate basis	**40.7**	49.3
Group LTV	**31.6**	35.7
Group LTV – on a proportionate basis	**28.5**	32.5
Security Group LTV	**31.5**	35.5

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

Our approach to gearing — Table 10

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.

For our mandatory carbon report see pages 146–147
For further performance details see pages 144–145

RETAIL PORTFOLIO REVIEW

Highlights

Valuation surplus

11.1%

Investment lettings

£17.4m

Development lettings

£2.9m

Objectives for 2014/15	Progress at 31 March 2015	Objectives for 2015/16
Outperform IPD sector benchmark	The total return of the Retail Portfolio was 17.7% outperforming its IPD sector benchmark at 14.7%	Outperform IPD sector benchmark
Complete the letting of Bishop Centre, Taplow	100% let	
Progress pre-lettings at Buchanan Galleries, Glasgow and Westgate, Oxford	Buchanan Galleries extension 36% pre-let; Westgate 29% pre-let	Progress lettings at Buchanan Galleries and Westgate
Achieve reserved matters consent at Buchanan Galleries, Glasgow; Westgate, Oxford; and Ealing Filmworks	All achieved	Resolution to grant planning consent at Worcester Woods
Progress on conditional pre-lettings on our edge-of-town development programme	Worcester Woods 69% pre-let; planning refused at Newnham Court, Maidstone	Progress to time and to budget at our committed developments
Continue the transformation of the portfolio to dominance, experience and convenience	Acquisition of 30% interest in Bluewater, Kent and 50% of Buchanan Galleries, with disposals including Exeter, Bristol, Sunderland and Livingston	Progress key disposals according to plan
Expand Community Employment Programme into retail service providers	Infrastructure established for programme in Oxford	Implement programme at Westgate, Oxford

By taking decisive action, we have transformed our shopping centre portfolio. We now have a set of prime assets well matched to the ever-changing needs of our customers and communities.

Buy

In June we acquired a 30% stake in the Bluewater shopping centre, Kent and the rights to manage the centre. We also increased our interest in Buchanan Galleries, Glasgow, to 100% by buying the 50% stake we did not already own. This demonstrates our strategy in action, shifting the portfolio towards prime assets that offer dominance, experience and convenience. Put simply, these are places where our customers most want to be.

Develop

In February, with our partners The Crown Estate, we committed to proceed with the redevelopment of Westgate, Oxford. This 800,000 sq ft centre will provide a first class retail and leisure destination, with around 100 stores, 25 restaurants, cafes and bars, a boutique cinema, roof top terrace dining, new public spaces and over 60 residential apartments. Construction started in spring 2015. This follows more than four years of complex preparation work, including extensive consultation with the local community. The centre is 29% pre-let and will be anchored by John Lewis.

In March, we secured detailed planning consent for a major extension to Buchanan Galleries, Glasgow and we continue to progress contractual arrangements.

During the year we completed The Bishop Centre, Taplow – a 105,000 sq ft scheme – which is now 100% let. At Worcester, we submitted a planning application for a 240,000 sq ft development, which is now 69% pre-let. At Ealing, we secured detailed planning consent for a 77,000 sq ft leisure scheme, which is now 29% pre-let, and 161 residential units. Disappointingly, at Maidstone, we were refused planning permission for a 225,000 sq ft retail park development and have no plans to pursue this further.

Manage

We work closely with our customers to provide them with space that meets their needs. Over the year, we worked with many of our customers who wanted to increase the size of their units in our centres. This demonstrates the high quality and appeal of our portfolio, as retailers require flagship units in the best locations to showcase their brands and appeal to their customers.

At Bluewater, Kent, for example, we are combining three units and expanding into the service yard to provide Next with a new flagship store. H&M need more space at St David's in Cardiff, and we will commence work shortly to create a new 45,000 sq ft statement store to meet their requirements. Polo Ralph Lauren also need a larger unit in Gunwharf Quays, our designer outlet centre in Portsmouth Harbour, and work is currently underway to provide them with what will be one of their largest outlet stores in Europe.

Sell

This year we made £826.3m of disposals at a surplus to the 31 March 2014 valuation of 14.3%, including The Centre and Almondvale West in Livingston; The Bridges, Sunderland; Cabot Circus, Bristol; and our 50% share of Princesshay, Exeter.

Outlook

With omni-channel retailing continuing to evolve, and an increasingly demanding consumer, we expect the retail environment as a whole to remain challenging. The polarisation between winning and losing locations is ongoing, with demand for retail space focusing on the best trading locations. These are the only locations, in our view, which are likely to see meaningful rental growth in the short and medium-term.

With this in mind, we will continue to be relentless in our asset management, rigorous in our investment decisions, and passionate about working with our customers to deliver the space they need. We are confident that the changes we have made to our portfolio over the past few years have positioned us well for the future.

Net rental income

Table 11

	31 March 2015 £m	31 March 2014[1] £m	Change £m
Like-for-like investment properties	**203.4**	203.3	0.1
Proposed developments	**11.8**	7.7	4.1
Development programme	**1.6**	1.3	0.3
Completed developments	**26.2**	22.5	3.7
Acquisitions since 1 April 2013	**60.6**	30.4	30.2
Disposals since 1 April 2013	**27.5**	65.3	(37.8)
Non-property related income	**8.5**	6.0	2.5
Net rental income	**339.6**	336.5	3.1

1. The split of net rental income and segment profit before interest between the London Portfolio and the Retail Portfolio has been restated by £1.3m in the prior year to reflect the impact of properties transferred from the London Portfolio to the Retail Portfolio during the current year.

Net rental income increased by £3.1m from £336.5m to £339.6m with lost income from disposals more than offset by increases in other categories. Acquisitions contributed £30.2m of the increased rental income, primarily due to our 30% stake in Bluewater, Kent and the increase in our interest in X-Leisure in September 2013. At our completed developments, Trinity Leeds and The Bishop Centre, Taplow, income increased by £3.7m while net rental income from our like-for-like properties was virtually unchanged. Both these categories saw higher gross rental income growth offset by higher bad debt provisions, up £2.7m compared to last year, following the insolvency of a number of retailers including Paul Simon, Internacionale and Strada. Proposed developments contributed an additional £4.1m, which reflects our acquisition of the 50% of Buchanan Galleries, Glasgow that we did not already own.

These increases in net rental income are partially offset by rents on properties we sold since March 2013. These disposals include Bon Accord, Aberdeen, the Overgate Centre, Dundee, and the Designer Outlet Centre, Livingston, all sold in the second half of last year as well as The Bridges, Sunderland, The Centre and Almondvale West Retail Park, Livingston, our 50% share of Cabot Circus, Bristol and our 50% share of Princesshay, Exeter in the current year.

At a glance

Valuations

- Valuation surplus of 11.1%
- Ungeared total property return of 17.7%
- The portfolio outperformed its IPD Quarterly Universe sector benchmark at 14.7%
- £17.4m investment lettings
- £2.9m development lettings

Voids

- Like-for-like voids were 2.7% (2014: 1.9%)
- Units in administration were 1.0% (2014: 0.6%)

Footfall and sales

- Footfall in our shopping centres was up 1.5% (national benchmark down 1.0%)
- Same store sales were up 3.3% (national benchmark up 2.3%)
- Same centre sales, taking into account new lettings and tenant changes, were up 6.3%
- Measured retailers' rent to sales ratio was 10.0%
- Total occupancy costs (including rent, rates, service charges and insurance) represented 17.3% of sales

For more information on our Retail Portfolio go to: pages 138–151

For more information on our approach to sustainability go to: pages 144–147

LONDON PORTFOLIO REVIEW

Highlights

Valuation surplus

23.2%

Investment lettings

£19.4m

Development lettings

£39.7m

Objectives for 2014/15	Progress at 31 March 2015	Objectives for 2015/16
Outperform IPD sector benchmark	The total return of the London Portfolio was 27.7% outperforming its IPD sector benchmark at 23.4%	Outperform IPD sector benchmark
Complete the letting of 62 Buckingham Gate, SW1 and 20 Fenchurch Street, EC3	62 Buckingham Gate 69% let and 20 Fenchurch Street 92% let	Complete the letting of 62 Buckingham Gate, 20 Fenchurch Street, 1 & 2 New Ludgate and The Zig Zag Building
Progress development lettings at 1 & 2 New Ludgate, EC4 and The Zig Zag Building, SW1	1 & 2 New Ludgate 64% let and The Zig Zag Building 34% let	Progress development lettings at Nova, SW1
Progress planning applications and obtain planning permission at 6 Castle Lane, SW1	Planning submission at Piccadilly Lights, W1 delayed; planning permission at 6 Castle Lane obtained	Progress planning applications and obtain planning permission at Nova, SW1 – Phase II, 21 Moorfields, EC2 and Harrow Phase 1A
Progress to revised time and to budget at our committed developments	20 Fenchurch Street completed to time and budget. 1 & 2 New Ludgate, The Zig Zag Building, Kings Gate and Nova, SW1, on time and budget. 20 Eastbourne Terrace, W2 delayed from February 2016 to April 2016	Progress to revised time and to budget at our committed developments
Secure employment for 125 candidates via our Community Employment Programme	Secured employment for 157 candidates	Secure employment for 145 candidates
Disposal of specific assets to fund our investment activity	Disposals of 47 Mark Lane, EC3, 12/24 Oxford Street and 3-5 Tottenham Court Road, W1 and Harrow Phase 1B post planning consent and exchanged contracts to sell Times Square, EC4	Disposal of specific assets to fund our investment activity

We have delivered record levels of lettings in our well-timed, well-executed development programme, and made tactical acquisitions to strengthen the future pipeline. Our activity has been funded by disposals of more mature assets into a strong investment market.

Buy

At a time of high investor competition for London properties, we were delighted to make two important acquisitions. 21 Moorfields, EC2, was a rare opportunity to secure a City site at an attractive price. It sits over the future western entrance to Liverpool Street Crossrail station and will deliver over 500,000 sq ft of space. The complex, technically demanding location will require us to work in close partnership with the local community and Transport for London. We also acquired our partner's 50% interest in Thomas More Square, E1 where refurbishment of the offices, creation of new retail space and work on a redesigned public realm is now underway. This will enable us to capture greater value.

Develop

Our London development programme is firing on all cylinders with capital invested over the year of £335.6m. 20 Fenchurch Street, EC3, was 92% let at 31 March 2015 and the Sky Garden opened to the public in January 2015. We are delighted with the response from our customers and the community. The project has delivered a valuation surplus of over 90%, underlining the benefits of early cycle development.

Our mixed-use development at 1 & 2 New Ludgate, EC4, has created two exceptional buildings near the planned Crossrail/Thameslink interchange. We have worked closely with the local community, local authority partners and customers during construction to meet their needs. The development was completed last month and is already 84% let or in solicitors' hands. At nearby 1 New Street Square, EC4, we are extending our successful campus with a new building due for completion in June 2016. During the year we pre-let the entire building to Deloitte.

Our transformation of Victoria, SW1, continues at pace. 62 Buckingham Gate is 87% let or in solicitors' hands. Lettings have taken longer to secure than we expected but rents and lease lengths are ahead of appraisal levels. The Zig Zag Building is 37% pre-let or in solicitors' hands and on schedule for completion in July 2015. Within the retail element, Jamie's Italian, Mango and Iberica have taken space, which will add yet more colour to this fast-changing neighbourhood. At Kings Gate, 85 of the 100 apartments are pre-sold. Work at Nova is progressing well. 133 of the 170 apartments are pre-sold, and 12% of the office space is already in solicitors' hands. The retail space, which is 66% pre-let or in solicitors' hands, will create London's newest and most exciting restaurant quarter. And at 20 Eastbourne Terrace, W2, we are delivering 93,000 sq ft of refurbished space in early April 2016.

Manage

Voids increased from 1.6% to 4.3%. The main contributors were a digital sign at Piccadilly Lights, W1 where the lease expired just before the year end; Thomas More Square, E1, 5 New Street Square, EC4, and Holborn Gate, WC1 where we are refurbishing the space; and Portland House, SW1, a pre-development property. At both Times Square, EC4 and 130 Wood Street, EC2 we have lengthened and increased income during the year. And at Dashwood House, EC2 we have established a new benchmark rent through some surrender and re-leasing activity.

Sell

Our strategy remains unchanged: we are prepared to sell any asset at the right price, recycling capital into the development programme. This year we made disposals of £199.0m at a surplus to the 31 March 2014 valuation of 22.7%. Disposals included 47 Mark Lane, EC3 post leasing activity and our 50% interest in 12/24 Oxford Street and 3-5 Tottenham Court Road, W1 post extension of the Primark lease. Within our trading property portfolio, we sold part of our strategic land holding in Harrow post planning, for £50.0m. In addition, we exchanged contracts in March to sell Times Square, EC4, for £284.6m.

Outlook

Our view on supply in the short-term is unchanged: there will remain a shortage of prime office space to let in London and we expect rental values to continue to rise. Our focus is on completing and letting our development programme. We have 1.1 m sq ft of well-specified space to let in well-connected locations, so we have plenty of opportunity to capture rising rental values in these market conditions.

Net rental income

Table 12

	31 March 2015 £m	31 March 2014[1] £m	Change £m
Like-for-like investment properties	**202.2**	203.2	(1.0)
Proposed developments	**–**	–	–
Development programme	**21.2**	0.3	20.9
Completed developments	**11.4**	9.7	1.7
Acquisitions since 1 April 2013	**1.4**	–	1.4
Disposals since 1 April 2013[2]	**20.1**	39.6	(19.5)
Non-property related income	**3.6**	4.7	(1.1)
Net rental income	**259.9**	257.5	2.4

1. The split of net rental income and segment profit before interest between the London Portfolio and the Retail Portfolio has been restated by £1.3m in the prior year to reflect the impact of properties transferred from the London Portfolio to the Retail Portfolio during the current year.
2. Includes Non-current assets held for sale.

Net rental income increased by £2.4m as income from developments more than offset lost income on disposals. Net rental income on like-for-like properties declined by £1.0m; gross rental income on these properties was £6.0m higher but this was more than offset by £3.7m of development feasibility expenditure at Piccadilly Lights, W1, where the scheme was not sufficiently advanced for costs to be capitalised, £0.8m of void related costs for space which is undergoing refurbishment and a £1.7m reduction in other income where the prior year benefitted from a surrender receipt and a rights of light receipt.

The development programme is driven by new lettings at 62 Buckingham Gate, SW1 and the recognition of rent at 20 Fenchurch Street, EC3 following practical completion. Completed developments contribute a further £1.7m following lettings achieved at 123 Victoria Street, SW1. Net rental income on properties sold since 1 April 2013 declined by £19.5m largely due to the disposals in the prior year with the most significant being Bankside 2 & 3, SE1.

Non-property related income decreased by £1.1m driven by a provision against management fees in respect of our long-term contract at Lodge Hill, Chattenden.

At a glance

- Valuation surplus of 23.2%
- Ungeared total property return of 27.7%
- The portfolio outperformed its IPD Quarterly Universe sector benchmark at 23.4%
- £19.4m investment lettings
- £39.7m development lettings
- Like-for-like voids were 4.3% (2014: 1.6%)

For more information on our London Portfolio go to: pages 138–151

For more information on our approach to sustainability go to: pages 144–147

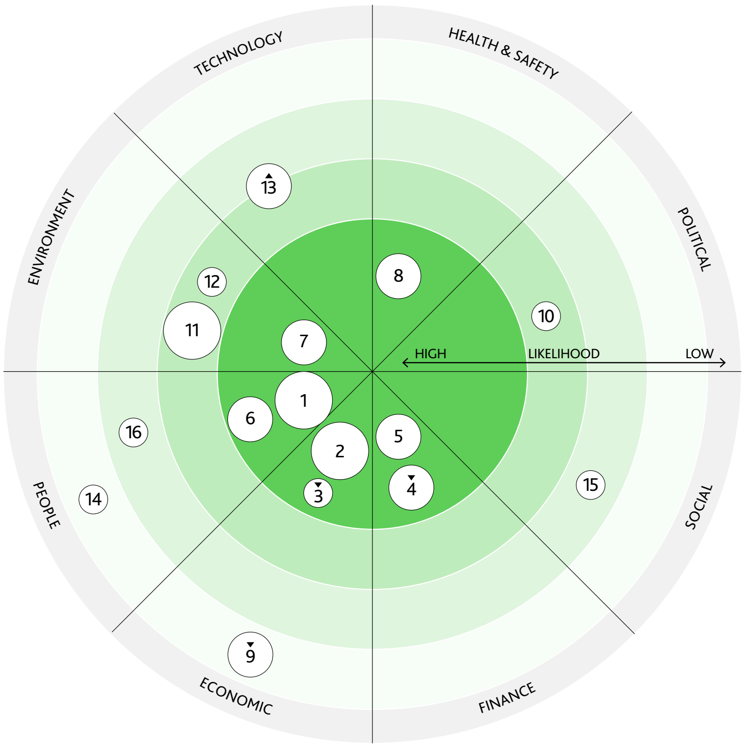
OUR PRINCIPAL RISKS

We identify and monitor 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 our risk exposure is well matched to the cycle. Overall responsibility for the risk management framework rests with the Board, but the management of risk is embedded in our everyday business activities and culture, with all our employees having an important role to play.

For us, a risk is anything that might stop us from meeting our objectives. 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, particularly where we have expertise to take and manage risks others cannot. We also consider significant risks that may affect our customers, communities and partners. We assess each risk on three factors: likelihood; financial impact, both to income and capital values; and reputational impact, from the local level through to national. We also consider the inherent risk (the impact of the risk before any mitigating action is taken) and the residual risk (the risk that remains after the effect of mitigating action is taken into account). Alongside our assessment of current risks, we also consider emerging risks (risks where we don't yet fully understand the extent and implications for us). Diagram 13 shows our current principal risks and the emerging risks we are monitoring.

We never stop looking out for new risks and thinking about existing risks from new angles. That process involves discussions with stakeholders as well as open discussion and challenge within the company. Our Executive committees carry out a review of our risks four times a year and from this, together with feedback from external advisers, we update our register of principal risks and emerging risks. These are presented to the Audit Committee quarterly to ensure members know about, and contribute to, the latest thinking on risk within the company. In addition, the full Board holds a full risk review session every two years.

Current assessment of principal risks Diagram 13



Impact
- High
- Medium
- Low
- ▲ Increase from last year
- ▼ Decrease from last year

Current principal risk areas
1 Customers
2 Market cyclicality
3 Acquisitions
4 Liability structure
5 Development
6 People
7 Environment
8 Health & safety

Emerging risks
9 Increased financial regulation
10 Political uncertainty
11 Resilience of portfolio to climate change
12 Energy regulation, cost and security of supply
13 Cyber-terrorism
14 Pandemic disease
15 Organised crime
16 Demographic changes

Risk management process Diagram 14

1st line of defence
2nd line of defence
3rd line of defence

Risks in the context of our strategic goal and objectives

Table 15

As set out on pages 24–25, 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 employees.
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 2013/14
Customers • Concerns over the economic recovery • Pressure on consumer spending.	• Shift in customer 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 5% of rents); • Of our income 72% is derived from occupiers 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 occupier requirements; • Experienced asset management team; • Strong relationships with occupiers.	No change
Market cyclicality • Volatility and speed of change of asset valuations and market conditions.	• Reduces liquidity and impacts relative property performance.	• Large multi-asset portfolio; • Monitor asset concentration (our largest asset is only 6% of the total portfolio); • Average investment property lot size of £96.8m; • Generally favour full control and ownership of assets (10% of assets currently in joint ventures); • Average unexpired lease term of 8.5 years with a maximum of 11% 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 • Reduction in potential future development sites.	• Experienced investment team; • Flexibility to invest in either of the two largest sectors in the UK property market; • Ability to control the level of property disposals.	Reduced Acquisition of Bluewater.

Manage our balance sheet effectively

Risk description	Impact	Mitigation	Change from 2013/14
Liability structure • Lack of availability of bank funding.	• Increased cost of borrowing • Limits ability to refinance existing debt maturities and fund forward cash requirements.	• £1,255m revolving credit facility in place, which matures in 2020 and a total of £985m of bilateral facilities which mature between September 2016 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 2015 is 8.3 years; • Modest gearing (Security Group LTV at 31 March 2015 of 31.5%).	Reduced The Group refinanced its main revolving credit facility for five years at a significantly lower cost.
• Liability structure is unable to adapt to changing asset strategy or property values.	• Bank debt not able to be drawn • Unable to raise new debt or no flexible debt to repay • Potentially constrains business decisions.	• 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 ICR (currently 4.1 times) or 100% Security Group LTV (currently 31.5%); • 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 description	Impact	Mitigation	Change from 2013/14
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 un-let 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 occupier demand before committing to new developments and secure pre-lets where appropriate; • Assessment of developments against hurdle rates.	Refer to the table on our development programme on page 151.
• Subcontractor failure.	• Delay to development increasing costs.	• Under Design and Build contracts the risk of subcontractor failure resides primarily with the principal contractor; • Principal contractors are responsible for monitoring ongoing viability of subcontractors; • Experienced development and project management teams ensuring delivery of developments to programme.	Subcontractors under increasing pressure as a consequence of buying at the bottom of the market, but having to pay current labour and material rates.
Attract, develop, retain and motivate high performance employees			
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; • Clear organisation and individual accountabilities; • Annual employee engagement survey to identify issues early; • Succession planning and talent management; • High profile, cutting edge developments and assets to manage.	
Continually improve sustainability performance			
Environment • Properties do not comply with legislation or meet customer expectations.	• Increased cost base • Inability to attract or retain occupiers • Premature obsolescence and loss of asset value.	• Dedicated specialist personnel; • ISO 14001 certified environmental management system; • Active involvement in legislative working parties; • Active environmental programme addressing key areas of energy, water 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 to building projects and can restrict access to shopping centres.	• CEO chairs Group Health & Safety Committee; • Regular Board reporting; • Dedicated specialist personnel; • Annual cycle of health and safety audits; • Established policy and procedures including ISO 18001 certification.	
• Terrorist incident at a property	• Loss of consumer confidence with consequent impact on new lettings, renewal of existing leases and rental growth • Loss of income.	• Strong relationship with the National Counter Terrorism Security Office; • Dedicated property security teams supported by CCTV and other physical security measures; • Experienced property management teams; • Regular on-site and national training; • Group insurance programme protects against losses of rent and service charge due to terrorism.	Terrorist groups have recently called for attacks on UK shopping areas. Intelligence services consider an attack 'highly likely.'

This Strategic Report was approved by the Board of Directors on 18 May 2015 and signed on its behalf by:

Robert Noel
Chief Executive

GOVERNANCE

LEADERSHIP

How the Board and its Committees lead from the front.

For more information go to:
pages 40–45

EFFECTIVENESS

How this year's Board evaluation was conducted and its outcome.

For more information go to:
pages 46–48

ACCOUNTABILITY

How the Audit Committee fulfils its oversight responsibilities.

For more information go to:
pages 49–53

RELATIONS WITH SHAREHOLDERS

How we maintain relations with our investors.

For more information go to:
page 57

REMUNERATION

How we align Executive pay with our performance and the interests of shareholders.

For more information go to:
pages 58–78

Governance

Including information on our Board, its Committees and our high governance standards.

LETTER FROM THE CHAIRMAN

"At Land Securities, governance is not just confined to the boardroom. It is an integral part of the way we manage our business and control our activities every day."

Dear Shareholder

In his Chief Executive's statement, Robert Noel reported on a very strong set of results for the year. He noted that the business was in excellent shape, with our developments and portfolios well matched to customer demand. I endorse his view and thank my colleagues at Land Securities for what they have achieved. Their dedication and hard work have not only made this year's results possible, they have laid the foundations for long-term success.

Governance

I am pleased to report that your Company has once again complied in full with the 2012 UK Corporate Governance Code. We are also taking steps to achieve compliance with the Code changes introduced in 2014.

In a year that saw our markets continue to change, much of the Board's activity has been around positioning the business for the next stage of the property cycle. We devoted significant agenda time to consider our options for the redevelopment of two shopping centres – Westgate, Oxford, and Buchanan Galleries, Glasgow – and to the acquisition and disposal of high value properties.

Making the right call on the property cycle requires the best data, the best people, good judgement and clear communication between management and the Board. This is critical. Critical because when the property cycle turns, which it will, our markets are likely to move quickly and our business must already be well positioned and well prepared.

Across all areas, the Board should be able to contribute to key operational decisions and provide challenge to management in a meaningful and timely way. This will be essential for truly effective stewardship at Land Securities over the coming years. We spent much time discussing this as part of our most recent Board evaluation.

One of the keys to good communication between management and the Board is an effective relationship between the Chairman and Chief Executive. Robert and I have regularly scheduled meetings to discuss the progress of the business. We speak, email and meet frequently in between. We are appreciative of the differences in our roles and responsibilities and are conscious of what shareholders expect from each of us.

This year has seen stability at Board and Executive level following the changes which took place last year. Our focus therefore changed from appointments to succession planning, both at Board and senior management level. I explain more about this in my report to shareholders on the work of the Nominations Committee.

Investor meetings

During the year, I offered to meet a number of our largest investors to hear their views on Land Securities, its strategy, management and governance. I was delighted that the majority agreed to see me.

During these meetings we discussed a wide range of topics. These included the property market, the lessons learned from mistakes of the past, remuneration policy, our approach to environmental issues and capital allocation. I also gained their perspectives on governance in general and how it will change. I found it particularly helpful when issues we had not considered before were raised, and where our attention was drawn to practices at other companies that investors opposed or championed.

It is clear that our investors are devoting more resources to governance and that we will have a lot more to consider and assimilate going forward. In response, we have amended the terms of reference of the Nominations Committee to give it formal responsibility for monitoring trends in governance and making recommendations to the Board.

Remuneration

In last year's Directors' Remuneration Report we flagged that we may seek shareholder support for a new remuneration policy. This was because our Matching Share Plan needed replacing, as some investors had told us they did not like it, and 2015 represented the third anniversary of our current arrangements. We therefore took the opportunity this year to review all aspects of our remuneration structure and to look at our policy in the light of changing investor requirements. We also reviewed the pay of our Chief Executive following three successful years in post and revisited our long-term performance measures to ensure they continue to be properly aligned with investors' interests and promote the long-term success of the Company.

Our remuneration policy is matched to our strategy. Central to this is our aim to outperform our peers both in terms of total shareholder and total property returns. In this way, our Executives will only receive upper quartile rewards for corresponding outperformance.

In recent times, remuneration outturns have not reflected the strong performance of the business, such that upper quartile performance has not been matched with commensurate rewards. In seeking to address this, we are further aligning remuneration with investors' interests by increasing the Executive Directors' share ownership guideline levels, requiring the shares they receive under our long-term incentives to be held for longer periods and widening our ability to 'clawback' variable pay awards made to them.

We approached investors who collectively held more than 50% of our shares. The challenges they raised were similar to those discussed by the Committee during its extensive evaluation of the proposals. Where new issues were raised we amended our proposals to cater for them. Investors were pleased with the transparency, clarity and thought we put into the consultation process. We could not accommodate every suggestion raised, but all of those investors who engaged with us have agreed to support our proposals at the AGM. You will find details of the proposals and their impact on pay set out in the Directors' Remuneration Report. I would like to thank the Remuneration Committee members for their efforts in bringing these proposals to shareholders.

Board effectiveness

During this year's Board performance evaluation I was keen to gain Directors' perspectives on our coverage of key topics at Board meetings, information flows and whether geo-political events might disrupt our business model and the strong liquidity within our markets. I sought examples of where there may have been 'group-think' amongst the Board and where we may be vulnerable to it going forward. We considered the balance of skills amongst Board members and how we might address any gaps in our longer-term succession planning.

Directors complimented the quality of information and coverage of key topics. In order to reduce the possibility of 'group-think', Directors asked to hear more from specialists with contrary views to management. They suggested that background information for some agenda items be provided without a recommendation or conclusion, which will assist Directors in forming their own views.

During the year, I circulated a list of my expectations of the Board. These set out my requirements in terms of the Directors' preparation before meetings, the challenge and conduct required during meetings, and how they might assist the business outside meetings. They were well received. Whilst I am not expecting any significant changes, as Directors' preparation and conduct at meetings is already of a high standard, I believe it is now clear which Non-executives will provide the lead on challenging management during discussions on particular topics. I am also expecting the time Non-executives devote to interacting with the business to become more efficiently spent. You will see a more detailed account of the outcome of the Board evaluation in the 'Effectiveness' section of this report.

Outcome from last year's Board evaluation

In my letter as Chairman of the Nominations Committee, I describe the progress we have made against the areas identified for improvement during last year's Board evaluation. There is one specific area I would like to draw out which illustrates the benefit of devoting significant resources to Board evaluations.

Last year, some Directors felt that the amount of time spent at meetings reviewing operational matters should reduce. Non-executives, in particular, found it difficult to participate in those discussions. They asked that the focus of the meetings become more forward-looking, with priority given to decisions in the pipeline, unresolved issues facing the business and the execution of strategy. In response, our Executive Directors shortened their papers and I extended Board meetings by 45 minutes to facilitate broader discussion. The result has been an improvement in the quality and richness of discussions. More insights are offered by Non-executives, who feel better able to influence the direction of the business. Management have found the new approach very helpful too. I also continued our practice of not receiving PowerPoint presentations at meetings.

Health and safety

The health and safety of our customers, employees, contractors and visitors to our premises is of paramount importance. Our safety record remains well ahead of industry benchmarks and we continue to pursue our goal of zero accidents or injuries at our properties.

The business is undergoing extensive health and safety training, not just in connection with our development programme but also in the day-to-day activities of all members of staff. Everyone in the business is required to attend a tailored programme to suit their particular role. The Board has been keen to show its support for this initiative, with every Director attending different development sites to gain an understanding of the work being undertaken by our health and safety teams and to show their support, visibly, for the initiatives. You will find more information on this later in the report, in the 'Governance in action' section on pages 54 to 56.

Diversity

I am encouraged to see continued progress amongst companies towards meeting Lord Davies' target set in 2011. Since then, Land Securities has been ranked 5th amongst the most improved companies within the FTSE100. Overall, Land Securities is ranked 10th in terms of gender diversity within the index. These are achievements of which I am very proud.

Across the business world there remains some way to go though, with 59 FTSE100 companies still to meet Lord Davies' target at March of this year. We at Land Securities also have more to do on improving other aspects of diversity within our own business. You will see in 'Our people strategy' section on page 19 how we are addressing this.

Further information

Over the following pages we describe our corporate governance framework in more detail and, again this year, we include examples of how our governance works in practice. You will find more on our corporate responsibility activity as part of our 2015 Sustainability Report which can be found at www.landsecurities.com/sustainability. I hope you find these 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 in April 2012.

Age: 51

Career

A chartered surveyor and graduate of the University of Reading, Robert was Property Director at Great Portland Estates plc between August 2002 and September 2009. Prior to that, he was a director of the property services group, Nelson Bakewell. He is a former director of the New West End Company and the Central London Business Improvement District and former Chairman of the Westminster Property Association.

Robert is a trustee of the property industry charity, LandAid.

Skills, competencies and experience

Robert has nearly 30 years' experience in a number of sectors within the property market and extensive knowledge of the London commercial property market in particular. He has substantial executive leadership and listed company experience.

Committees

Chairman of the Group's Executive, Asset and Liability, Health and Safety, Investment and Sustainability Committees. He attends the Audit, Remuneration and Nominations Committees at the invitation of the Committee Chairmen.

Martin Greenslade
Chief Financial Officer

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

Age: 50

Career

A chartered accountant, having trained with Coopers & Lybrand, Martin was previously Group Finance Director of Alvis plc. He has also worked in corporate finance serving 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 extensive and wide-ranging financial experience to the Group from the property, engineering and financial sectors in the UK and overseas. He also has extensive financial expertise, particularly in relation to corporate finance and investment arrangements, and significant listed company experience at board level. His oversight responsibilities cover the Group's finance, tax, treasury, risk management and internal audit, insurance and information technology teams.

Committees

A member of the Group's Executive, Asset and Liability and Investment Committees. He attends Audit Committee meetings at the invitation of the Committee Chairman.

> "We have a highly experienced Board of Directors. The Non-executives represent a robust and independent element of the Board bringing sound judgement and objectivity to our deliberations and the decision-making process."

Dame Alison Carnwath, Chairman

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: 62

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. She has 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 the UK private equity firm Livingbridge (formerly known as ISIS Equity Partners), a non-executive director of Zurich Insurance Group Limited and Paccar Inc (a Fortune 500 company), and a senior advisor to Evercore Partners. She is also a supervisory board member and the audit committee chair of the Frankfurt listed chemicals company, BASF SE.

Dame Alison is a trustee of The British Library Trust and undertakes a variety of mentoring activities in the UK and overseas. She was appointed a Dame in 2014 for her services to business.

Skills, competencies and experience

Dame Alison has very significant board level experience gained across a range of industries and countries. This enables her to create the optimal Board environment and get the best out of Board members both during and outside meetings. She has expertise in alternative asset management, banking and global manufacturing.

Committees

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: 50

Career
Kevin is a chartered accountant who trained with Arthur Andersen. He has held several senior finance positions and was Group Finance Director of Kingfisher plc from 2008 until 2012 when he was appointed CEO of its B&Q and Koçtaş businesses in China, Turkey, Germany and the UK, until he left that business in May 2015. His previous roles include Group Finance Director of Dixons Retail plc and European Finance Director of The Quaker Oats Company.

Skills, competencies and experience
Kevin has extensive understanding of retail trends, operations and insights gained during a number of senior financial and general management positions at large listed retailers. He is a long-standing Non-executive Director and Chairman of the Audit Committee who is able to use this experience gained across a property cycle to bring additional challenge to management.

Committees
Chairman of the Audit Committee and 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: 66

Career
Chris is a chartered surveyor and was until recently Chairman and Partner of Orchard Street Investment Management LLP, a leading commercial property investment manager focused on the UK market. He stepped down from those positions on 31 March 2015 though he continues as an adviser to that firm. 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.

Chris is currently a Board Counsellor of The Crown Estate (having previously been a board member), a Wilkins Fellow of Downing College, University of Cambridge, and an advisory board member to certain overseas entities within the Brack Capital Real Estate Group.

Skills, competencies and experience
Chris is a scion of the property industry, with decades of property investment, fund management and capital allocation experience gained across a range of businesses and disciplines within the real estate sector. He has significant experience of general management as a former Chief Executive and Chairman of significant businesses.

Committees
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: 57

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 since then pursued a portfolio career.

Stacey is currently a non-executive director of ANN Inc, (a NYSE listed women's speciality apparel retailer), the Fiesta Restaurant Group Inc, (a NASDAQ listed company) and CEB (a NYSE listed member-based advisory company).

Skills, competencies and experience
Stacey brings deep analytical thought to the Board, with considerable expertise of retail trends and insights gained at a leading international management consultancy. She has significant board level experience gained through non-executive positions held in retail and other industries.

Committees
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: 57

Career
A senior figure within the private equity industry, 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 and moved to BC Partners, a private equity firm, in 1990 where he worked for 17 years, rising to the position of Managing Partner. Simon then became Chairman of the private equity firm Centerbridge Partners Europe, a post he held until 2013, and is now a Senior Adviser to TowerBrook Capital Partners and an adviser to the private equity arm of GIC. He is an MBA graduate of The Wharton School, Pennsylvania.

Simon is a Trustee of the University of Pennsylvania and The Tate Foundation.

Skills, competencies and experience
Simon has a deep understanding of portfolio management, financial metrics and the impact of interest rates on the capital markets. He has expertise in private equity and capital markets and considerable experience managing highly talented professionals.

Committees
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 in January 2014.

Age: 45

Career
Cressida spent almost 20 years with 3i Group plc having joined them in 1995 from JP Morgan. She co-founded 3i's infrastructure business in 2005, becoming Managing Partner in 2009, and led the team which acted as Investment Adviser to 3i Infrastructure plc, a FTSE 250 investment company. She advised on all of 3i Infrastructure's transactions since its flotation in 2007. Cressida was previously a member of the advisory board for Infrastructure UK, the HM Treasury unit that works on the UK's long-term infrastructure priorities. She is currently Managing Director, Head of Infrastructure, of the Canada Pension Plan Investment Board and a non-executive director of Anglian Water Group Limited.

Cressida received a CBE in 2014 for services to infrastructure investment and policy.

Skills, competencies and experience
Cressida has a deep understanding of large, long-term infrastructure projects and businesses. She has considerable experience of investment returns, general management and leadership.

Committees
A member of the Audit Committee.

Edward Bonham Carter
Non-executive Director*

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

Age: 54

Career
Edward started his career at Schroders in 1982 as an investment analyst before moving to Electra Investment Trust in 1986 where he was a fund manager. He joined Jupiter in 1994 as a UK fund manager and held the position of Chief Investment Officer from 1999 to 2010. Edward led the company through a management buy-out from its previous owners, Commerzbank, in 2007, and oversaw the firm's listing on the London Stock Exchange in 2010. He was appointed Group Chief Executive of Jupiter Fund Management plc in June 2007 and became its Vice Chairman in March 2014.

Skills, competencies and experience
Edward has significant experience of general management as a former CEO of a private equity backed and a large listed company. Having been a fund manager for many years, he also has a deep understanding of stock markets and investor expectations.

Committees
A member of the Remuneration Committee.

* Independent (as per the UK Corporate Governance Code).

EXECUTIVE COMMITTEE

Robert Noel
Chief Executive

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

His full biography appears on page 40.

Martin Greenslade
Chief Financial Officer

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

His full biography appears on page 40.

The Executive Committee also comprises the Group General Counsel and Company Secretary. This combined role is currently vacant with a new appointee set to take up the position in September 2015.

Colette O'Shea
Managing Director, London Portfolio

Colette joined Land Securities in 2003 and was Head of Development, London Portfolio, before being appointed its Managing Director in April 2014.

Age: 47

Career
Colette has over 20 years' property experience in London, operating in investment, asset management and development. Prior to joining Land Securities, she was Head of Estates at the Mercers' Company where she led the property team whilst also gaining extensive retail and residential experience.

Responsibilities
In her current role, Colette has responsibility for Land Securities' £7.8bn London Portfolio comprising some nine million sq ft of London offices, leisure, retail and residential property both in development and asset management. She is leading the London business through a major development programme in the City and West End, including the delivery of buildings such as 20 Fenchurch Street and the transformation of Victoria.

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

Committees
A member of the Group's Executive, Asset and Liability and Investment Committees. Chairman of the London Executive Committee.

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, Retail Portfolio, in April 2014.

Age: 45

Career
Scott's career to date includes three years as Managing Partner of Brookfield Asset Management, where he led their European business, more than 10 years at GE Capital Real Estate, latterly as Head of Business Development, and three years as Business Development Director at Land Securities in his first position with the Company.

Responsibilities
In his current role, Scott has responsibility for Land Securities' £6.3bn Retail Portfolio of shopping centres, retail parks and leisure properties throughout the UK comprising some 20 million sq ft of accommodation. Previously, as Head of Property for Land Securities' London Portfolio, he led the investment, asset and property management teams for the Group's office and retail space in central London.

Scott is a Strategic Board member of the New West End Company and was previously Vice President of the City Property Association.

Committees
A member of the Group's Executive, Asset and Liability and Investment Committees. Chairman of the Retail Executive Committee.

Diana Breeze
Group Human Resources Director

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

Age: 47

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 that, she was a senior manager in the Human Capital practice of Accenture.

Responsibilities
In her current role, Diana 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 the Company, Diana has led the redesign of the Land Securities organisation at both Group and business unit level, and has implemented a number of key HR initiatives, most notably in the areas of leadership development and reward.

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

Committees
A member of the Group's Executive and Sustainability Committees. Attends Investment Committee meetings and both the Remuneration and Nominations Committee meetings at the invitation of the Committee Chairmen.

Miles Webber
Director of Corporate Affairs and Sustainability

Miles joined Land Securities on 6 May 2015.

Age: 46

Career
Miles was, until recently, Head of External Affairs, UK & Ireland, for General Electric, having previously held other senior external affairs and relations positions with them since he joined in 2005. Prior to that, he spent six years with Merrill Lynch, his first two years as Vice President, Corporate Communications, followed by four years as Director of Public Affairs, EMEA.

Responsibilities
Miles' broad responsibilities cover sustainability, public relations (both financial and business-to-business), internal communications, public affairs, investor relations and corporate marketing (including brand and reputational management).

He is a Board Director of the Foreign Policy Centre and the Westminster Forum.

Committees
A member of the Group's Executive and Sustainability Committees. Attends Investment Committee meetings.

LEADERSHIP

The role of the Board and its Committees Chart 16

Board Committees

Board
Responsible for the long-term success of the Group. It sets strategy and oversees its implementation, ensuring only acceptable risks are taken. It provides leadership and direction and is also responsible for corporate governance and the overall financial performance of the Group.
More details on pages 44 and 45.

Audit Committee
Reviews and is responsible for oversight of the Group's financial and reporting processes, the integrity of the financial statements, the external and internal audit processes, and the systems of internal control and risk management.
More details on pages 49–53.

Remuneration Committee
Reviews and recommends to the Board the executive remuneration policy and determines the remuneration packages of the Executive Directors and other members of the Executive Committee.
More details on pages 58–78.

Nominations Committee
Reviews and recommends to the Board the structure, size and composition of the Board and its Committees. It also has oversight responsibility for succession planning of the Board and senior management.
More details on pages 46–48.

Chief Executive
Responsible for implementation of the Board's strategy, day-to-day management of the business and all matters which have not been reserved to the Board or delegated to its Committees.
More details below.

Executive Committee
An advisory Committee that operates under the direction and authority of the Chief Executive. It comprises senior management from across the business (see page 42).
It assists the Chief Executive, and the Chief Financial Officer, in implementing strategy and policies and managing the operational and financial performance of the Group. It also addresses other key business and corporate related matters, including succession planning and organisational development.

Management Committees

Asset and Liability Committee
Responsible for considering the impact of proposed sales, purchases, developments and debt funding arrangements on the Group's balance sheet and internal control metrics over the short and medium-term. It also considers the likely impact of macro- economic developments on the business.

Investment Committee
Responsible for considering and approving significant investment transactions, including the acquisition, disposal and development of assets with a value of between £20m and £150m, and other transactions not in the ordinary course of business. It is also responsible for implementing the annual funding strategy approved by the Board.

London and Retail Executive Committees
Responsible for the financial, operational and governance performance of their respective business portfolio. They also approve transactions up to a value of £10m.

Sustainability Committee
Responsible for developing and implementing the Group's sustainability strategy, linked to and integrated with the Group's overall corporate strategy. In doing so, it also considers environmental, social, economic and energy issues affecting the business.

Health and Safety Committee
Responsible for overseeing the Group's health and safety operations, performance against targets and progress towards goals.

Matters reserved to the Board and delegated authorities

To retain control of key decisions, the Board has identified certain 'reserved matters' that only it can approve, with other matters, responsibilities and authorities delegated to its Committees and certain Management Committees, as above. The schedule of matters reserved to the Board and the terms of reference for each of its Committees can be found on the Company's website at www.landsecurities.com. Any matters outside of these fall within the Chief Executive's responsibility and authority. Accordingly, he chairs each of the Management Committees and reports on their activities through his (and the Chief Financial Officer's) monthly report to the Board.

Board composition and roles

The Board comprises the Chairman, two Executive Directors and six independent Non-executive Directors. Their key responsibilities are as set out in the table below:

Board composition and roles — Table 17

Chairman	Dame Alison Carnwath	Responsible for leading and managing the Board, its effectiveness, and governance. Ensuring Board members are aware of and understand the views and objectives of major shareholders and other key stakeholders. Helps set the tone from the top in terms of the purpose, goal, vision and values for the whole organisation.
Chief Executive	Robert Noel	Responsible for the day-to-day management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy.
Chief Financial Officer	Martin Greenslade	Supports the Chief Executive in developing and implementing strategy, and in relation to the financial and operational performance of the Group.
Independent Non-executive Directors	Kevin O'Byrne, Chris Bartram, Simon Palley, Stacey Rauch, Cressida Hogg, Edward Bonham Carter	Responsible for bringing sound judgement and objectivity to the Board's deliberations and decision-making process. Constructively challenges and supports the Executive Directors. Monitors the delivery of the agreed strategy within the risk and control framework set by the Board.
Senior Independent Director	Kevin O'Byrne	Acts as a sounding board for the Chairman and a trusted intermediary for other Directors. Available to discuss any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chairman or the Executive Directors.

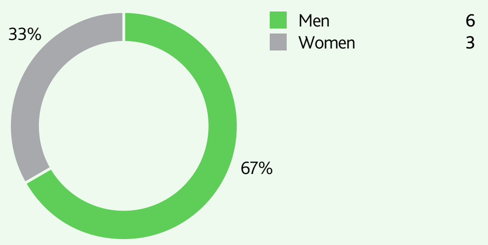
Board and Committee meetings/attendance during the year — Table 18

Director	Board	Audit Committee	Nominations Committee	Remuneration Committee
Dame Alison Carnwath	8/8		2/2	4/4
Robert Noel	8/8			
Martin Greenslade	8/8			
David Rough*	3/3	2/2		
Kevin O'Byrne	8/8	6/6	2/2	
Chris Bartram	8/8		2/2	4/4
Simon Palley	8/8		2/2	4/4
Stacey Rauch	8/8	6/6		
Cressida Hogg CBE	8/8	6/6		
Edward Bonham Carter	8/8			4/4

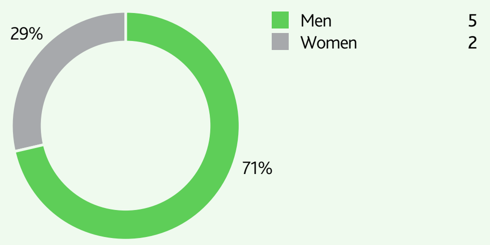
* David Rough stepped down from the Board on 18 July 2014. His attendance related to the period from 1 April 2014 to that date.

Gender diversity

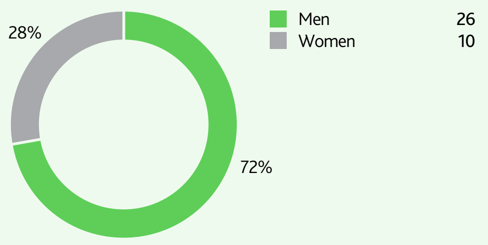
Board — Chart 19



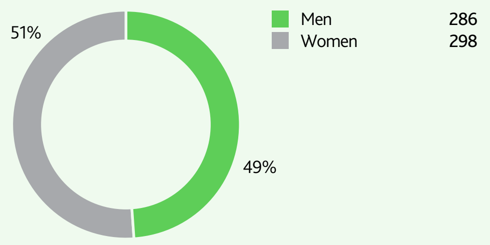
Executive Committee — Chart 20



Senior Leaders* — Chart 21



All Employees — Chart 22



* includes subsidiary directors.

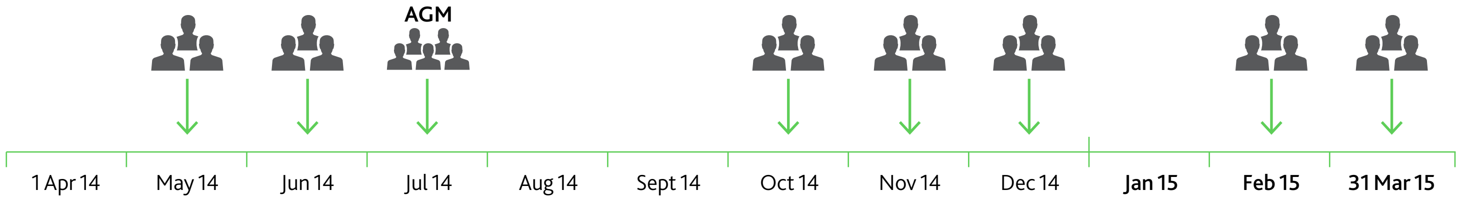
"We are making progress in terms of gender diversity with the percentage of women increasing across the Group from 49% to 51%. However, we have more to do in improving other aspects of our diversity."

Dame Alison Carnwath, Chairman

More information on diversity can be found in the 'Our people strategy' section on page 19 and in the 'Effectiveness' section on pages 47 and 48.

Board meetings and activity during the year Chart 23

Board meetings



Board activity

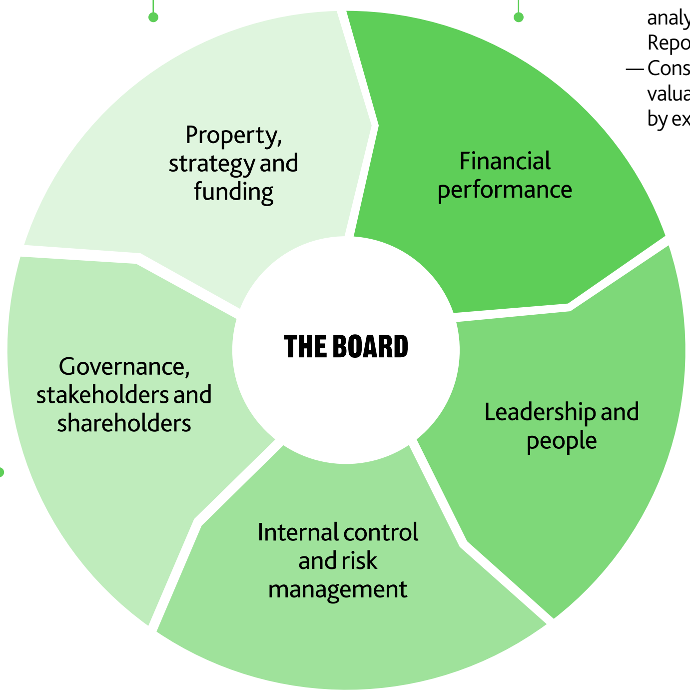
The diagram below shows the key areas of Board activity during the year.

Property, strategy and funding

— Reviewed strategy and business development as part of a two-day off-site meeting
— Debated the property cycle and retail outlook
— Reviewed the Group's performance against its competitors
— Considered portfolio liquidity analysis and development exposure
— Approved acquisitions and disposals of properties with a value in excess of £150m, including the acquisition of the remaining 50% interest we did not already own in Buchanan Galleries, Glasgow, the disposal of Princesshay, Exeter, and the acquisition of a 30% interest in Bluewater, Kent
— Reviewed and approved the redevelopment of Westgate, Oxford, and the conditions around the redevelopment of Buchanan Galleries, Glasgow
— Considered and approved the Group's debt funding arrangements and a new revolving credit facility.

Financial performance

— Considered the financial performance of the business and approved the budget, key performance targets and five-year plan
— Reviewed the half-year and annual results and presentations to analysts and approved the Annual Report
— Considered the half-yearly valuation of the Group's portfolio by external valuers.



Governance, stakeholders and shareholders

— Discussed the outcome of the Board evaluation and effectiveness review, and agreed improvement opportunities
— Considered sustainability, including the Group's impact on the community and the environment
— Reviewed regular health and safety updates
— Reviewed developments in corporate governance and received key legal and regulatory updates
— Regularly reviewed feedback from institutional shareholders
— Reviewed the Group's purpose, goal, vision and values.

Leadership and people

— Discussed the composition of the Board and its Committees, including succession planning
— Reviewed the development of people and talent in the Group, including succession planning for senior roles
— Discussed the results of the employee engagement survey and the actions arising from it.

Internal control and risk management

— Reviewed the Group's risk register and the effectiveness of the systems of internal control and risk management
— Debated significant and emerging risks, including the loss of key people and political uncertainty arising from the Scottish referendum and the UK General Election.

LETTER FROM THE CHAIRMAN OF THE NOMINATIONS COMMITTEE

Dear Shareholder

With last year having seen a number of changes at both Board and senior management level, succession planning has been a key area of discussion at both the Nominations Committee and the full Board.

A Board dinner was devoted to the topic. We discussed the business' plans for restocking the talent pipeline for the future. Much of the existing pipeline had been depleted by a large number of promotions last year.

Property is a long-term business with many years passing between some decisions and their ultimate fruition. I look for and welcome the commitment of Non-executives to stay on our Board for extended periods of time. This could mean that some stay beyond the nine-year period when the UK Corporate Governance Code, and some investors, may begin to question their independence.

This year, we considered the likely pattern of Board vacancies in the future. I made my expectations clear in terms of the amount of notice I would like a departing Director to give so that a thorough process to find a successor can be conducted in a timely manner.

We looked, in detail, at the skills that each Director brings to the Board and those that would be required from new joiners. We discussed who would be responsible for the appointments of Executives, Non-executives and the Chairman. We also considered our ability to cope with unexpected departures at senior management level, with a strategy agreed to speed replacement.

Like all Boards, there are additional specialist skills that we wish we had from time to time. However, it is simply not possible to cover every base. We fill the gaps by inviting external specialists to address the Board at strategy days and by maintaining a list of skills and qualities we will require of future appointees. We continue to monitor suitable candidates.

Whilst much of the Committee's work in the year centred around succession planning, time was also devoted to a number of other topics. These included the consideration of potential conflicts of interest amongst Directors, updating our standard Letters of Appointment for Non-executive Directors and the individual evaluation of Directors and their independence. The Committee has also assumed responsibility for monitoring trends in governance and making recommendations to the Board.

You will find more information on these particular topics and on the other work of the Committee, including our progress on Board effectiveness, on the following pages.

Dame Alison Carnwath
Chairman, Nominations Committee

Committee members

- Dame Alison Carnwath (Chairman)
- Kevin O'Byrne
- Chris Bartram
- Simon Palley

Details of member appointments and biographies, and full attendance at Committee meetings held during the year, appear on **pages 40, 41 and 44**, respectively.

The Committee's terms of reference are available on the Company's website at **www.landsecurities.com**

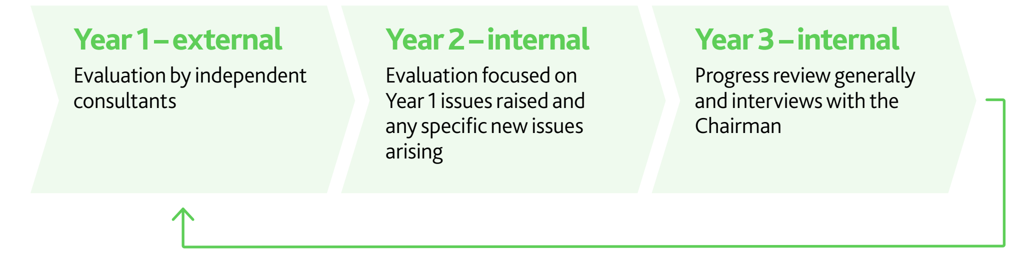
EFFECTIVENESS

Nominations Committee activity

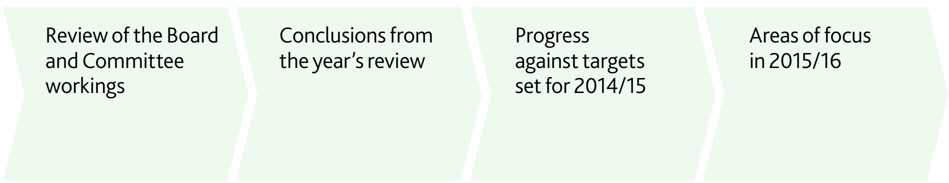
The key areas of Committee activity during the year included:

- completion of inductions for two newly appointed Non-executives
- 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
- new Letters of Appointment for the Chairman and Non-executives
- investor sentiment on notice periods.

Board, Committees and Directors' performance evaluation cycle Chart 24



Performance evaluation 2014/15 – Year 3 of cycle Chart 25



Board evaluation

This year was the third in the Group's three-year performance evaluation cycle. The overall aim was to assess current performance, progress made and opportunities for improvement based on a survey comprising a number of open questions on the workings and effectiveness of the Board and its Committees. The responses were discussed at a series of individual interviews with Directors, conducted by the Chairman.

The outcome of the evaluation was fed back to the Board at its meeting in March 2015 and a series of action items agreed. A summary of these appears below.

The Chairman also met with each Director individually to provide feedback on their performance and suggestions for improvement. She also discussed her expectations of the Board as a whole and the contribution expected of each Director.

Kevin O'Byrne, the Senior Independent Director, led the evaluation of the Chairman with the other Non-executives. He gave feedback to the Chairman on the outcome.

Review of the Board and Committee workings

The review explored three key aspects:

- The flow of information to the Board and the ability of Non-executives to independently interpret and use it to challenge management's conclusions
- The vision for the business and the corporate culture
- Succession planning at Board and senior management level.

Conclusions from this year's review

The Board concluded that the workings of the Board and its Committees remained effective and they continued to operate 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 discussing the property cycle, its timing and the likely impacts on the Group. Directors also considered the extent to which there may be 'group-think' and whether they felt unsighted on any key aspect of the business.

The discussions and conclusions on succession planning are summarised in the Chairman's letter.

Progress against targets set for 2014/15

Good progress had been made against the Board evaluation targets set last year:

- Directors were pleased with the additional efforts of management to ensure the Board continued to receive operational insights during the year, which was the first when the Managing Directors of the London and Retail portfolios did not sit on the Board. Those Managing Directors were invited to attend a number of Board events, including the strategy away day in February, and provided business unit reports that were circulated with Board papers. Directors also spent more time meeting managers from those businesses both at and outside Board meetings, including attending dinners at which the Executive Directors were not present
- Key Board papers are now written on a 'forward-looking' basis whereby they focus on decisions likely to be made in the medium term, issues facing the business and the execution of strategy. This change was made in order to increase the scope for Non-executive Directors to participate in discussions and influence decision-making on key issues at an early stage. The change has been a success, with meetings seeing a richer discussion and Non-executive Directors sharing more insights and providing more challenge at meetings. The Board felt that it made good use of the additional 45 minutes added to meetings
- The Chief Executive gave a presentation on competitor activity and strategy at the Board's away day, which was well received by Directors. Regular updates will continue to be provided.

Areas of focus in 2015/16

- Directors would like to hear more contrary views on key macro-economic forecasts, such as the property cycle, and to receive raw data on some topics without a recommendation or analysis from the Executives so that they may more readily form their own views
- The Board would like more focus at meetings on the properties within the Retail Portfolio and on the shape of that portfolio as a whole
- Directors were also keen to ensure that the Board did not lose sight of other geo-political issues that might disrupt the business in the short-term.

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 member contributing and valuing the contributions of others. The environment encourages Directors to raise challenging questions, debate issues freely and respond to one another
- Attendance at meetings of 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 Company Secretary and members of his team.

Professional development, support and training 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 a presentation on occupier needs in buildings of the future.

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

To enrich the experience and development of Executive Directors and senior managers, the Group supports the holding of non-executive directorship positions at other listed companies and charities.

Induction

Following appointment in 2014, Cressida Hogg and Edward Bonham Carter completed their tailored induction programmes during the year arranged by the Chairman and Group Company Secretary. This included visits to various properties and development sites across the London and Retail portfolios, and meetings with a number of senior managers in the organisation including Portfolio Directors, Centre Managers and senior managers from the Group's finance, company secretarial, risk management and internal audit, information systems and treasury functions.

Board strategy review

The Board's away day to discuss strategy was this year 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 potential for investing in new sectors of the UK real estate market
- a presentation and discussion on retailer requirements in the future
- presentations from external experts on the macro-economic environment and property market outlook.

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. Diversity amongst directors contributes towards a high performing, effective Board. We are pleased to report progress against the Board's 2013 diversity policy and the fact that we have met the target for 25% of the Board to comprise 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.

We have also made good progress in terms of gender diversity generally, with more women now filling senior management positions across the business. You will see in 'Our people strategy' section of this report that each of the Group's Executive Committees already have a number of women amongst their membership. We continue to focus on this important area. The diversity charts on page 44 provide further useful information.

Independence and re-election to the Board

The independence, effectiveness and commitment of each of the Non-executive Directors has been reviewed and discussed with them privately by the Chairman. The results were shared with the Nominations Committee which satisfied itself on the contributions and time commitment of all the Non-executives during the year. A specific review was conducted by the Committee in relation to Kevin O'Byrne as he has been in office for more than six years. The Committee was confident Mr O'Byrne and each of the Non-executives remain independent and will be in a position to discharge their duties in the coming year. All the Directors will stand for re-election at the Annual General Meeting with the support of the Board.

Conflicts of interest

The Board operates a policy to identify and, where appropriate, manage potential conflicts of interest affecting Directors. The Nominations Committee monitors the situation and has acted to address potential conflicts as detailed in the table below.

Potential conflicts of interest Table 26

Director	Potential conflict situation	Nominations Committee decision and mitigating actions taken
Dame Alison Carnwath	A non-executive director of Zurich Insurance Company Limited with whom the Group places certain of its insurance policies and pension investments.	Since the Group's insurance programme and policy matters are handled by the Executive Directors outside of the Board (and in consultation with its own independent insurance brokers), the Committee concluded that in practice conflicts of interest involving Alison Carnwath and Zurich Insurance were unlikely to occur.
Chris Bartram	Chairman and Partner of Orchard Street Investment Management (OSIM) and a Board Counsellor (previously a Board member) of The Crown Estate, both of which are, in some areas of operation, competitors of the Group. The Crown Estate is also the Group's joint venture partner at a major development.	Chris Bartram did not take part during the year in discussions on, or see relevant information on, potential acquisitions and development of property where there was a realistic prospect of OSIM or The Crown Estate also being involved. The Committee does not see any ongoing potential conflict situations arising since Chris Bartram stepped down from his Chairman and Partner positions with OSIM on 31 March 2015 even though he is retained by that firm in an advisory capacity. The existing controls in respect of his appointment at The Crown Estate will continue.
Kevin O'Byrne	Executive Director of Kingfisher plc, a large customer of the Group.	Since operational matters, such as retail leasing, are unlikely to be considered at Board level, the Committee concluded that in practice conflicts of interest involving Kevin O'Byrne and his employer were unlikely to occur. Kevin O'Byrne resigned his position at Kingfisher plc effective 15 May 2015. The controls in place to mitigate this potential conflict were withdrawn from that date.
Cressida Hogg CBE	Managing Director, Head of Infrastructure, of the Canada Pension Plan Investment Board (CPPIB) which is the Group's joint venture partner at a major development.	In her role, Cressida Hogg will not have any involvement with the development in question as a different business unit within CPPIB manages it. As an additional precaution, the Group will not share any sensitive information on that development with her and she has agreed not to participate in any Board discussion that relates to it.
Edward Bonham Carter	Vice Chairman of Jupiter Fund Management plc, a fund manager which evaluates investments that 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

Dear Shareholder

During the year, the Audit Committee has continued to play a key oversight role for the Board. Its principal activities have focused on maintaining the quality of our financial reporting, considering significant accounting judgements made by management and the work of the external valuers. It has also focused on ensuring the independence and effectiveness of the internal and external audit processes and driving improvements in the Group's internal control and risk management systems. In addition, the Committee has considered a number of new challenges, opportunities and risks arising from both within and outside the business.

Acquisitions and disposals

During the year, the Group made a number of acquisitions and disposals, most notably the acquisition of a 30% interest in the Bluewater shopping centre in June 2014. In relation to these, the Committee considered:

- at what point each transaction should be recognised
- the recognition of an intangible asset and the impairment of goodwill in connection with Bluewater
- the impact of third-party co-investment rights in respect of one particular transaction
- the Bluewater integration programme and its subsequent implementation.

Committee members

- Kevin O'Byrne (Chairman and Senior Independent Director)
- Stacey Rauch
- Cressida Hogg CBE

Changing risk landscape

The changing business environment has caused us to closely monitor the impact on our risk landscape. Macro-economic risks, such as the maturing property cycle and structural changes in the retail market, were considered by the Board as part of its annual review of significant Group risks. More specific and emerging risks were considered by the Committee, including:

- key people – where we are exposed to a very buoyant and competitive London employment market
- political and public affairs – both in respect of the Scottish referendum and the UK General Election
- terrorism – where we undertook simulated incident response exercises at some of our shopping centres
- cyber security – in relation to data security, data protection, safeguarding business continuity, incident response and critical building management infrastructure.

Through the Group risk register we reviewed management's plans and mitigation actions to ensure all key risks were appropriately prioritised and resourced. Committee members used their experience gained in other businesses to challenge and advise management. We continue to monitor these key risks and agreed mitigating actions with the assistance of the Group's risk management and internal audit function.

External valuations and valuers

A significant focus of the Committee's work relates to the half year and full year valuation of the Group's property portfolio as the output and movements represent a key contribution in determining the Group's results and certain executive remuneration. The portfolio valuations are now carried out by three external valuers, namely, Knight Frank (our principal valuer), Jones Lang LaSalle (in relation to X-Leisure) and CBRE (in relation to Bluewater). Property valuations are inherently subjective as they include the making of significant judgements and assumptions by the valuers (and management), some of which are derived from similar recent market transactions. Based on the degree of oversight and challenge applied to the valuation process, as explained on page 51, the Committee was confident that the valuations had been conducted appropriately, independently and in accordance with the valuers' professional standards.

Each of the external valuers provides a high quality service and contribution, and indeed Knight Frank have done so for many years. However, in line with good governance and best practice, we have decided to put the Group's portfolio valuation requirements out to competitive tender. This process, which includes Knight Frank, is already underway. I will Chair the selection panel and the successful firm(s) will be expected to undertake the September 2015 valuation.

External auditor

Following their appointment in 2013, Ernst & Young LLP (EY) successfully completed their first audit last year. Our internal review of their performance confirmed they delivered a high quality audit and are performing well in their new role. The objective of this year's audit plan was to build on EY's increased familiarity with the business and ensure it remained focused and challenging.

Fair, balanced and understandable

The Committee again made use of an additional meeting and the due diligence framework introduced last year in assessing and then recommending to the Board that, taken as a whole, the Company's 2015 Annual Report is fair, balanced and understandable.

UK Corporate Governance Code

The Committee's terms of reference have recently been updated to reflect relevant changes introduced to the UK Corporate Governance Code in 2014 and which apply to the Group for the first time in respect of the 2015/16 financial year. These relate to the more forward-looking nature of the going concern statement, a more rigorous and regular review of risk management and the introduction of a longer-term viability statement. We are preparing for these in consultation with management and the external auditor. I am confident we will be in a position to confirm our compliance with the new requirements at the end of next year. We also continue to monitor progress of the growing pipeline of new and potential regulations and governance initiatives emanating from both the UK and EU.

Committee effectiveness

The regular challenge and engagement with management, the external auditor and valuers and the risk management and internal audit team, together with the timely receipt of high standard reports and information from them, has enabled the Committee to discharge its duties and responsibilities effectively. On behalf of the Committee, I thank them for their contributions.

I hope you find my review and the report that follows helpful in understanding the work of the Committee during the year.

Kevin O'Byrne
Chairman, Audit Committee

Details of member appointments and biographies, and full attendance at Committee meetings held during the year, appear on pages 40, 41 and 44, respectively.

The Committee's terms of reference are available on the Company's website at www.landsecurities.com

ACCOUNTABILITY

Structure and operations

The Committee's structure and operations, including its delegated responsibilities and authority, are governed by terms of reference that are annually reviewed and approved by the Board.

To maintain effective communication between all relevant parties, and in support of its activities, the Chairman, Chief Executive, Chief Financial Officer, Director of Risk Management and Internal Audit, representatives of the external auditor, Ernst & Young LLP (EY), and other members of the senior finance team regularly attend Committee meetings. All other Non-executive Directors are invited to attend meetings when the external valuers make property valuation presentations. The Committee as a whole has regular private sessions with the internal and external audit teams. In addition, the Committee Chairman has individual and informal sessions with them, and the valuers, to ensure open lines of communication exist in case they wish to raise any concerns outside of formal Committee meetings.

Whilst the Committee members between them have a wide range of business and financial experience adequate enough to discharge their duties, Kevin O'Byrne is the member determined by the Board as having recent and relevant financial experience for the purposes of satisfying the UK Corporate Governance Code (Code).

The Committee works to a structured programme of activities to coincide with key events around the Company's financial calendar. Following each meeting, the Committee Chairman reports on the main discussion points and findings to the Board.

Audit Committee activity

The key areas of Committee activity during the year included the planning, monitoring, reviewing and approving of the following:

Financial reporting

- the quality and appropriateness of the half year and annual financial statements
- the information, underlying assumptions and stress test analysis presented in support of the going concern statement
- the consistency and appropriateness of the financial control environment
- the dividend policy and the payment of dividends, with due regard to the Company's REIT status
- the degree to which the Annual Report is fair, balanced and understandable.

External audit

- the scope of the external audit plan
- the independence and objectivity of EY
- the level of fees paid to EY for non-audit services
- EY's reappointment to office as external auditor.

Risk management and internal control

- the scope of the internal control and risk management programme
- the results of internal audit reviews and the progress made against agreed management actions
- quarterly reports on investigated internal control issues significant to the Group
- quarterly reports on the Group's risk register, including significant and emerging risks
- compliance by management concerning the operation of the business for which they are responsible
- the adequacy and effectiveness of the Group's internal control and risk management systems.

Internal audit

- the scope of the internal audit plan
- the independence, appropriateness and effectiveness of internal audit.

External property valuation

- the quality and appropriateness of the half year and full year external valuation of the Group's property portfolio
- the independence and effectiveness of the external valuers.

Other

- the Committee's terms of reference and its performance effectiveness
- compliance with the Code and the Group's regulatory and legislative environment.

External auditor

EY, as the external auditor, is engaged to express an opinion on the Company's and the Group's financial statements. Their audit includes a review and test of the systems of internal control and data contained in the financial statements to the extent necessary to express an audit opinion on them.

Effectiveness of the external audit process

Following the issue of the Company's Annual Report, the Director of Risk Management and Internal Audit conducts a specific performance evaluation review of the external audit process, including its effectiveness, and the objectivity and independence of the external auditor. This is conducted against the structured guidelines of the ICAEW and in consultation with the Executives and senior finance team. The Committee reviews the results. The Committee Chairman and the Chief Financial Officer also each meet privately with the audit engagement partner.

EY successfully completed their inaugural audit for the 2013/14 financial year. The conclusions from our evaluation confirmed that they had settled in well to their new role and were delivering to a high audit service standard. Areas identified for development were shared with EY to form part of their future audit plans and service delivery.

Audit plan

In respect of the audit for the financial year under review, EY presented their audit plan (prepared in consultation with management and the Director of Risk Management and Internal Audit) to the Committee. The objective was to build on EY's increased familiarity with the business and make sure it was appropriate for the Group's structure. It was agreed that the audit plan would again be risk and materiality focused, challenge based and designed to provide valuable insights beyond the audit. The Committee Chairman was kept informed regarding the negotiation of the audit fee to ensure an appropriate balance existed between the scope of work and the cost of assurance.

Objectivity and independence

The Committee is responsible for monitoring and reviewing the objectivity and independence of the external auditor. In undertaking its annual assessment, the Committee has reviewed:

- the confirmation from EY that they maintain appropriate internal safeguards in line with applicable professional standards
- the Financial Reporting Council (FRC)'s May 2014 Audit Quality Inspection Report in respect of EY and the firm's internal quality control systems
- the mitigation actions taken by the Company in seeking to safeguard EY's independent status, including the operation of policies designed to regulate the amount of non-audit services provided by EY and the employment of former EY employees
- the tenure of the audit engagement partner (not being greater than five years)
- the internal performance evaluation of EY referred to above.

Taking the above review into account, the Committee concluded that EY remained objective and independent in their role as external auditor.

Audit tendering
EY were first appointed to the office of auditor, following a competitive tender process, in respect of the 2013/14 financial year. Under current regulations, the Company will be required to retender the audit again no later than in respect of the 2023/24 financial year. However, the Committee proposes to review the situation when the current audit engagement partner is next due to rotate which is in respect of the 2018/19 financial year. There are no contractual restrictions in relation to the Company's choice of external auditor.

A resolution to reappoint EY to office for a further year will be proposed at this year's Annual General Meeting.

Non-audit services
To help safeguard EY's objectivity and independence, the Company operates a non-audit services policy which sets out the circumstances and financial limits within which they may be permitted to provide certain non-audit services (such as tax and other services). The Committee monitors compliance with the policy and no changes have been made to it during the year.

The existing threshold level of £25,000 for each permitted non-audit service engagement with EY, above which the prior approval of the Committee Chairman is required before work commences, remained unchanged during the year. The Committee also believes this level remains appropriate going forward.

Details of the audit fees charged during the year by EY (£0.7m) and non-audit fees (£0.1m), can be found in note 7 to the financial statements.

External property valuations
The valuation of the Group's property portfolio, including properties within the development programme, is now undertaken by three external valuers. These are Knight Frank (as the principal valuer), Jones Lang LaSalle (in relation to X-Leisure) and, for the first time this year, CBRE (in relation to Bluewater). The valuation helps to determine a significant part of the Group's net asset value, reported performance and the remuneration of the Executives and senior management. That is why the scrutiny of each valuation and the valuers' independence, objectivity and effectiveness, represents such an important part of the Committee's remit.

Valuations for the full and half year were reviewed and challenged by both management and the Committee, with other Non-executive Directors in attendance at the final presentations. The Committee Chairman also met separately with the valuers.

The external valuers also met separately with the external auditor and exchanged information independently of management. EY have experienced chartered surveyors on their team who consider the valuers' qualifications and assess and challenge the valuation approach, assumptions and judgements made. Their audit procedures are targeted at addressing the risk in respect of the valuations and the potential for any undue management influence in arriving at them. This year, 30 properties from across the portfolio were chosen for particular attention by EY's valuation experts 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. The Committee reviewed their findings.

An internal evaluation of Knight Frank, who have been the Company's principal external valuer for many years, was conducted during the year. It confirmed that they continued to provide an independent and high quality valuation service. Areas identified for improvement were shared with Knight Frank and an action plan implemented.

A fixed-fee arrangement is in place for the valuation of the Group's properties and given the importance of the work undertaken by the external valuers, we have disclosed the fees paid to them in note 8 to the financial statements. The total valuation fees paid by the Company to the external valuers during the year represented less than 5% of each respective firms' total fee income for the year.

Significant financial judgements and issues
The Committee identified the following three issues as significant, namely the valuation of the Group's property portfolio, revenue recognition and accounting for property acquisitions and disposals. Further details are provided in table 27 on page 53. These issues were considered to be significant taking into account the level of materiality and the degree of judgement exercised by management and the external valuers. The Committee discussed these issues with them, as well as the external auditor. In addition, the Committee considered and took action in respect of other key items, including the going concern basis on which the financial statements are prepared, maintenance of the Group's REIT status, adoption of IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements', and other specific areas of individual property and audit focus.

The Committee was satisfied that all issues had been fully and adequately addressed, that the judgements made were reasonable and appropriate and had been reviewed and debated with the external auditor who concurred with the judgement of management.

Risk management and internal control
The Board is responsible for determining both the nature and extent of the Group's risk management framework and the risk appetite that is acceptable in seeking to achieve its business objectives. This is subject to regular Board review together with the effectiveness of the internal control and risk management systems. The Committee's role is to assist the Board in overseeing the adequacy and effectiveness of these systems, and the activities and effectiveness of internal audit.

Primary responsibility for operation of the internal control and risk management systems, which extend to include financial, operational and compliance controls, has been delegated to management. These systems have been designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives and can provide only reasonable, not absolute, assurance against material misstatement or loss.

The risk management framework and ongoing processes to help identify, evaluate and manage the principal risks faced by the Group, which is embedded within our everyday business activities and culture, is described on pages 34 to 36. This process is regularly reviewed by the Board, with the next one due in June this year, and accords with the FRC's internal control guidance for directors.

Internal controls
The key elements of the Group's internal control system can be summarised as follows:

- an established organisation structure with clear lines of responsibility, approval levels and delegated authorities
- a management and committee structure which facilitates regular performance review and decision-making
- a comprehensive strategic review and annual planning process
- a robust budgeting, forecasting and financial reporting process. This includes regular progress, actions and performance updates versus targets and key performance indicators to the London Executive Committee, the Retail Executive Committee, the Executive Committee and the Board
- a rigorous preparation process for the consolidated financial results involving a number of review stages
- various policies, procedures and guidelines underpinning the development, asset management, financing and main operations of the business, together with professional services support including legal, human resources, information services, tax, company secretarial and health and safety

- a compliance certification process from management conducted bi-annually regarding business activities generally
- a disciplined post acquisition review and integration programme to ensure the Group's governance, procedures, standards and control environment are rolled out effectively and timely
- a constantly updated property information management system spanning the Group's entire portfolio.

Risk management and internal audit

The Group has a risk management and internal audit function which reports to the Committee and works under the day-to-day supervision of the Director of Risk Management and Internal Audit. A Risk Management and Internal Audit Charter governs its remit. The Committee, in consultation with management, agrees the annual plan of activity aligned to the needs of the business. Both parts of the function work closely together to ensure that the outputs of one inform the future activities of the other.

The Committee receives and discusses on a quarterly basis:

- the Group's risk register, including significant and emerging risks, and how exposures have changed during the period; and
- summary reports and progress against agreed actions from internal audit on their review of the effectiveness of various elements of the internal control system maintained by the Group.

The Committee regularly reviews the effectiveness of the risk management and internal audit function to ensure it remains sufficiently independent to carry out its role effectively.

Effectiveness

Assisted by the Committee, the Board has reviewed the effectiveness of the Group's systems of internal control and risk management in place throughout the year and up to the date of this report. This took into account the valuable assurance work undertaken by the risk management and internal audit function and the relevant process, controls and testing work undertaken by the external auditor as part of their interim review and full year audit. No weaknesses or control failures significant to the Group were identified. Where areas for improvement were identified, new procedures have been introduced to strengthen the controls and will themselves be subject to regular review as part of the ongoing assurance process.

Fair, balanced and understandable

The Committee again applied this year the due diligence review procedure it established last year. This included an additional Committee meeting ahead of the formal year end review. Accordingly, taking into account the preparation process, the information provided by management and the opinions of the Executives and the external auditor, the Committee was able to confirm and recommend to the Board that the 2015 Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

Whistleblowing policy

The Committee reviews the Group's arrangements, incorporated within a specific policy, which allow employees to report concerns in confidence, and anonymously if preferred, about suspected impropriety or wrongdoing. These include an independent third-party reporting facility comprising a telephone hotline and a recently introduced online process. The Company runs an awareness campaign every year and the arrangements are also brought to the attention of new employees. Any matters reported are investigated by the Group Company Secretary and escalated to the Committee, as appropriate. During the year there were no whistleblowing incidents reported.

Bribery and corruption policy

The Board has a zero tolerance policy for bribery and corruption of any sort. The Company, in operating the policy, gives regular training to staff on the procedures, highlighting areas of vulnerability. New employees are required to complete an online training module when they join. Our principal suppliers are required to have similar policies and practices in place within their own businesses.

Committee effectiveness

Feedback from the annual performance evaluation of the Board and its Committees, which was conducted internally this year, as described earlier in this report on page 47, confirmed that the Audit Committee continued to be effective in fulfilling its duties.

Significant issues considered	How addressed by the Committee Table 27
Valuation of the Group's property portfolio The valuation of the Group's property portfolio (including properties within the development programme and held in joint ventures) is a major determinant of the Group's performance and drives much of the variable remuneration for the Executives. Although the portfolio valuation is conducted externally by independent valuers, the nature of the valuation estimates is inherently subjective and requires the making of significant judgements and assumptions by management and the valuers. Significant assumptions and judgements made by the valuers in determining valuations may include the appropriate yield (based on recent market evidence), changes to market rents (ERVs), what will occur at the end of each lease, the level of non-recoverable costs and alternative uses. Development valuations also include assumptions around costs to complete the development, the level of letting at completion, incentives, lease terms and the length of time space remains void.	The Group uses three external valuers, Knight Frank, Jones Lang LaSalle and CBRE. Each are leading firms in the UK property market. The Audit Committee adopts a formal approach by which the valuation process, methodology, assumptions and outcomes are reviewed and robustly challenged. This includes separate review and scrutiny by management, the Committee Chairman and the Committee itself. It also includes the external auditor who is assisted by its own specialist team of chartered surveyors who are familiar with the valuation approach and UK property market. The external auditor met with the valuers separately from management and their remit extends to investigating and confirming that no undue influence has been exerted by management in relation to the external valuers arriving at their valuations. Each of the valuers submit their valuation reports to the Committee as part of the half year and full year results process. Knight Frank, as the principal valuer of the Group's property portfolio, were asked to attend and present to the Board their valuation reports and highlight any significant judgements made or disagreements between themselves and management. There were none. The valuers proposed significant increases in the values of our properties and developments during the year, which were discussed by the Committee in detail and accepted. Based on the degree of oversight and challenge applied to the valuation process, the Committee concluded that the valuations had each been conducted appropriately, independently and in accordance with the valuers' professional standards.
Revenue recognition Certain transactions require management to make judgements as to whether and to what extent they should be recognised as revenue in the year. Revenue recognition is significant to the Group as there is a risk of overstatement or deferral of revenue (and revenue profit) to assist in meeting current or future market expectations and management performance incentive targets.	The Committee and the external auditor considered a specific paper from management setting out the main areas of judgement exercised in arriving at the accounting treatment applied for all matters related to revenue recognition, including timing and treatment of rents, incentives, surrender premia and other property related revenue. The auditor reviewed and tested individual transactions on a sample basis to ensure there was a contractual relationship and consistency of accounting treatment between last year and this year. In its assessment, the Committee, in consultation with the auditor, considered all relevant facts, challenged the recoverability of incentives, the options that management had in terms of accounting treatment and the appropriateness of the judgements made by management. These matters had themselves been the subject of prior discussion between the auditor and management. Both the Committee and the auditor concurred with the judgements made by management and were satisfied that the revenue reported for the year had been appropriately recognised.
Accounting for property acquisitions and disposals During the year, the Group made several property acquisitions and disposals, including interests in joint arrangements. Some of these transactions were large and complex and required management to apply estimates and make judgements in determining whether a transaction represented an acquisition or a business combination, or when a transaction should be recognised, and the appropriate accounting treatment. The accounting treatment is significant to the Group as there is a risk that an inappropriate approach may lead to the misstatement of the financial position or results of the Group.	The Committee, in conjunction with the external auditor, reviewed and challenged management's individual papers on accounting proposals and key judgements for all major complex property acquisitions and disposals. These included Bluewater, Kent, 21 Moorfields, EC2, Times Square, EC4 and land at Harrow and Ebbsfleet. Following a review of the accounting treatment for a number of key transactions, the Committee satisfied itself that the approach adopted by management was appropriate in each case and in accordance with IFRS as adopted by the European Union.

i Further details on critical accounting judgements and key estimations of uncertainty can be found in note 2 to the financial statements on page 92.

GOVERNANCE IN ACTION

At Land Securities, we have in place a strong and effective governance framework which is an essential contributor to our sustained improvement in business performance. Here you will find examples of our governance in action.

NON-EXECUTIVE DIRECTORS

A conventional view of non-executive directors is that they govern from afar. However, the Non-executives in Land Securities are playing an increasingly active role, both engaging with the underlying business and working to support and challenge management. Stacey Rauch – who joined the Board in January 2012 – exemplifies today's active non-executive director.

Stacey brings 24 years of retail sector experience from the global management consulting firm McKinsey & Company to Land Securities. She is applying that experience to the Group's challenges and opportunities, particularly how we anticipate and respond to rapid change in the retail market. That includes providing insight on what global trends – such as online and omni-channel retailing, the heightened importance of value, and the growth of the food and leisure offer in malls – mean for retailers and their space.

Stacey's insights are not restricted to the boardroom. She shares her perspectives with management and helps them identify and connect with new customers. Scott Parsons, Managing Director of the Retail Portfolio, recently visited a number of innovative retailers in New York with Stacey. "Landlords are having to be much more active and creative in response to retailers' changing needs," he says. "Along with her connections, Stacey's knowledge and experience are so valuable because she can look from the customers' perspective."

Prepared for transformation

During her time at Land Securities, management has carried out a swift and far-reaching reshaping of the Retail Portfolio. "The real estate industry can be slow to change," she says, "but our portfolio has been dramatically transformed, and very much in direct response to the major trends. We talk about dominance, experience and convenience and all of these themes are critical for our malls."

Identifying trends is one thing, responding is another. Stacey believes the way the Board and management have prepared for change has been vital. "Management and Non-executives immersed themselves in what was happening in retail and the implications. Management set the pace of change and the market provided the opportunities. The Board was then well equipped to respond to opportunities when they appeared."

The value of different perspectives

Her years with McKinsey and non-executive directorships at three US companies give Stacey a clear view on Board effectiveness. Diversity of experiences and points of view are key, she believes. "The range of skills on the Land Securities Board creates very interesting dialogue and that's reflected in the decisions we make. This is a Board that thinks hard about what is in the best interests of shareholders and works with management to see that through."

Stacey attends all of Land Securities Board meetings and sits on the Audit Committee, which she values because "it exposes you to many different aspects of the business." She also goes out and about to see the business at work. "I've been to our major shopping centres in Leeds, Glasgow, Oxford, Portsmouth and Kent. I've seen retail warehouses and leisure parks and our major London office developments. Visits enable me to see the assets for myself and engage fully with management. Other Non-executives do the same and management are very receptive."

A recent example is her visit to the shopping centre at Westgate in Oxford, a few months before the Board was due to consider whether or not to proceed with its redevelopment. Development Director Bert Martin reports that: "It was a very interactive session, which was unexpected but incredibly valuable. She looked hard at areas such as tenant mix and the catchment; whether we truly understood the needs of the customers and the community; and whether the scheme would provide a compelling reason for people to come back time and time again. Those conversations made us think even harder and helped shape our Board paper requesting approval to proceed with the project."

Stacey especially values the culture of debate and challenge within the business. "People in Land Securities think deeply about things," she says. "They also want to win."

Stacey Rauch and Scott Parsons visiting 32-50 Strand, London WC2.

> "We talk about dominance, experience and convenience, and all of these themes are critical for our malls."
>
> **Stacey Rauch, Non-executive Director**

You can read more about our Non-executive Directors on **pages 40 and 41**.

Chris Bartram and Simon Palley visiting Nova, Victoria, SW1.

HEALTH AND SAFETY

Our health and safety agenda is set from the top down and embedded in everything we do from the bottom up. To ensure the two ends meet, a rigorous governance framework is in place. The Executive and Non-executive Directors are regular visitors to our properties to make sure we 'walk the talk' from the boardroom to our operations.

As with everything we do at Land Securities, we aim to be a leader in our industry on health and safety. This starts with both inspiring and requiring our employees to set the highest standards. But we also work with our supply chain partners to ensure those standards are met wherever we operate, from our construction sites to the offices and shopping centres we own and manage. We help share best practice across the wider property and construction industry too.

Destination Zero

Our approach to safety starts from one central belief: accidents are avoidable and individual care, accountability and empowerment are key to keeping yourself and your colleagues safe. This is why we have embarked on a journey to 'Destination Zero' – a programme launched last year with the objective of eliminating all accidents, injuries and work-related ill health at our operations. This is part of our public commitment to maintain an exceptional standard of both health and safety in all the working environments we manage and control.

Within the business, we clearly communicate our health and safety commitment and we provide comprehensive training to all employees. A new Group key performance indicator – introduced this year – now requires us to publicly report on our health and safety training actions.

We also want people outside Land Securities to be aware of the high standards we set and expect, and we want to help them – particularly our supply chain partners – to join us on the journey to Destination Zero. One example is that we now require every principal contractor to sign up to our Health and Safety Pledge, which sets out the high standards we require. We have also set up continuous improvement groups. These bring together our key supply chain partners to discuss critical issues, share their knowledge and establish common standards. Attendance is mandatory for contractors. This year, we assembled a team of property development insurers and principal contractors to set and share new best practice standards for fire prevention during construction.

So for us, good governance on health and safety starts inside Land Securities, but we also believe we have a responsibility to extend our expectations and standards to those who work for and with us. In sharing the knowledge we develop with our partners along the road to Destination Zero, we aim to help the entire industry raise standards, prevent accidents and reduce occupational ill health.

> "For us, good health and safety starts with good governance. In turn that should inspire a culture of respect, awareness and continuous improvement – not just inside the Company but outside with our many partners too."
>
> **Clive Johnson, Group Head of Health and Safety**

A rigorous governance framework supports our health and safety agenda

- A network of officers and committees leading through to the Group Health and Safety Committee chaired by the Chief Executive
- A dedicated team of professionals led by the Group Head of Health and Safety (who reports to the Chief Executive)
- An annual cycle of focused audits and inspections undertaken by team members, external specialists and insurer representatives
- Regular upward reporting to the London and Retail Executive Committees, the Executive Committee and bi-annually to the Board
- An established policy with clear, relevant and mandatory operating procedures and processes based on our ISO 18001 accreditation
- Mandatory training for new and existing employees.

You can read more about health and safety in our Sustainability reporting on pages 144–147.

Bluewater shopping centre.

BLUEWATER ACQUISITION

Bluewater, Kent, is one of the UK's leading retail and leisure destinations. It is home to over 330 retailers, cafes, bars and restaurants, many of which are international brands. It attracts some 27 million visitors a year and its catchment is one of the most affluent in the country.

Why did you buy into the Bluewater shopping centre?

We have been transforming our Retail Portfolio, focusing it on assets that are dominant in their area, offering great experience and convenience for shoppers. With Bluewater, we had a rare opportunity to acquire a stake in one of the UK's most successful dominant shopping centres – one of the ten largest centres in Europe, in fact. To support the acquisition and continue our transformation we also sold a number of retail assets less well matched to our strategy and aspirations.

Exactly what did you acquire?

We acquired a 30% direct holding in Bluewater, Kent in June 2014 for £657 million. The centre is now co-owned with a number of other investors. We also acquired the full asset management rights for the centre and 110 acres of surrounding land for £40 million.

How were governance matters approached?

Project Team

The project team included experts from around the business, including members of the Retail and London portfolios. They were supported by internal experts from across our professional support functions, namely, tax, insurance, treasury, company secretarial, finance, internal audit, building surveying, HR, information systems and legal. We also sought specialist advice from external advisers and worked closely with them. We held weekly project team meetings in an open forum that ensured all team members remained up-to-date. Everyone within the team was encouraged to discuss and challenge the acquisition strategy openly and constructively. Next step actions were defined clearly at every meeting and followed up at the next one.

The volume of data to be analysed was particularly challenging, but one which the team met head on. Our external advisers provided valuable advice and guidance; helped us analyse data, cash flows and competition; and reviewed a very significant number of legal contracts and leases.

Retail Executive Committee

The project team produced a number of detailed papers for our Retail Executive Committee. The Committee considered the opportunity, analysing exactly how the asset would fit and be integrated within the portfolio, together with the expected returns and risks. Committee members provided challenge and guidance to the project team who also met with members and our Chief Executive outside of formal meetings to keep them updated on progress and to gain advice and direction.

Investment Committee

The Committee considered the proposal in the context of the Group's strategy, alternative opportunities and the likely impact on cash flows and earnings. They also looked at the ownership structure, due diligence and financial returns.

Board

The Chief Executive raised the item as a discussion point at various Board meetings before presenting a formal request for approval to proceed. This gave the Board the opportunity to raise questions well in advance of making a final decision. Board discussion revolved around whether the acquisition made strategic sense, the competitive environment, investor views, pricing, financing and the impact on the Group as a whole. Once the acquisition had been approved by the Board, the Chief Executive kept Directors informed of transaction progress.

Market announcement

On contract signing, an announcement was released to the London Stock Exchange and the Executive Directors answered questions from shareholders.

Audit Committee

Successful integration of a new asset – particularly such a large and complex one – is clearly vital and can be challenging. The Audit Committee played an oversight role in reviewing the appropriate accounting treatment and the integration programme to ensure that Bluewater was absorbed into the Group's Retail operations and internal controls and risk management programme. Our Head of Information Systems coordinated the integration programme with the Retail Executive Committee taking responsibility for day-to-day operational and financial integration, reporting into the Audit Committee.

> "A key part of our successful acquisition of Bluewater was the application of a robust governance approach at each stage of the transaction."
>
> **Scott Parsons, Managing Director, Retail Portfolio**

You can read more about the Bluewater acquisition on page 28

Project Team →
Day-to-day running of the project.

Retail Executive Committee →
Reviewed the financial, operational and strategic implications.

Investment Committee →
Assessed the impact on the Group's strategy and maintained oversight of the transaction.

Board →
Considered the Committees' recommendations in the context of the Group's strategy and alternative investment opportunities. Approved the terms of the acquisition within certain parameters.

Audit Committee
Assumed oversight responsibility for reviewing the accounting treatment and the integration programme.

RELATIONS WITH SHAREHOLDERS

Approach to Investor Relations

The Board is committed to maintaining an open dialogue with shareholders and recognises the importance of that relationship in the governance process. The Chairman, supported by the Executive Directors, has overall responsibility for ensuring effective communication with shareholders.

The Company has a comprehensive investor relations programme which aims to help existing and potential investors understand the Group.

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

Institutional shareholders' programme

Meetings with principal shareholders

- Meetings with the Executive and the Chairman were offered throughout the year
- The Chairman maintained contact with principal shareholders and kept the Board informed of their views. An investor tour was undertaken in June and July 2014 which enabled the Chairman to meet investors in the UK and the Netherlands. Investors found the meetings valuable and we will continue to hold these biennially
- Our investor relations programme covered Europe, North America and the Far East
- As well as Non-executive Directors, the Senior Independent Director was available to meet with shareholders
- Institutional shareholders were invited to attend the Company's full year and half year results presentations.

Investor conference

- The investor conference is held annually and focuses on the Retail and London portfolios in alternate years. This year, the conference was held in London and focused on the London Portfolio with a short Retail Portfolio overview. Senior management from the London Portfolio presented updates on all aspects of its business and progress on the London developments. This was followed by a tour of 20 Fenchurch Street, EC3 and our major assets in Victoria. The conference also provided an opportunity for attendees to meet the management teams in the business
- The presentations and an audio recording of the conference were made available on our corporate website to enable those investors who could not attend to access the information provided.

Investor tours and presentations

- In addition to our annual investor conference, we hosted various presentations and tours of some of our major assets in the Retail and London portfolios. These tours were conducted at Bluewater, Kent, key properties in Victoria, SW1, Thomas More Square, E1 and certain London City assets, including 20 Fenchurch Street, EC3, New Street Square, EC4 and One New Change, EC2
- We conducted 11 sales team meetings during the year providing Executive Directors with the opportunity to present our strategy and performance directly to the sales teams of the major investment banks.

Industry conferences

- Industry conferences provide Executive Directors with a chance to meet a large number of investors on a formal and informal basis. Conferences attended this year included the UBS Global Property, JP Morgan and Bank of America Merrill Lynch conferences in London, Citi CEO conference in Florida, Merrill Lynch conference in New York, and the Kempen conferences in Amsterdam and New York.

Other initiatives

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

Private shareholders' programme

Private shareholders are encouraged to give feedback to and communicate with the Directors through the Group Company Secretary. During the year they were also able to meet Directors at the United Kingdom Shareholders' Association 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 treasury team after the half year and full year results.

Banks

- Regular dialogue was maintained with our key relationship Banks and Trustee, including at least bi-annual meetings with our treasury team and in-house dinners with the Executive and Non-executive Directors
- Our treasury team also actively engaged with potential lenders.

Credit rating agencies

- During the year, updates and meetings were held by our treasury team and senior management with Standard & Poor's, Fitch ratings and Moody's
- Further information on our debt investors can be found at www.landsecurities.com/investors/debt-investors.

Annual General Meeting (AGM)

The 2014 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 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 receives feedback on investor relations from an independent adviser on a biennial basis. Last year, Makinson Cowell undertook a comprehensive investor relations audit on investor perceptions of the Company, its management, strategy, governance and the investor relations programme. This year, their recommendations continued to be implemented with the following progress being made:

Investor Relations Table 28

Action	Progress made
Communicating the long-term vision for the Retail business to investors	The long-term vision has been communicated throughout the year and the transformation of our Retail Portfolio is being well received.
Improving the visibility of new members of the Executive Committee to investors	Scott Parsons and Colette O'Shea met with investors at investor roadshows, conferences and meetings throughout the year.
Providing more guidance on the Group's longer-term strategy and plans post the current phase of development	The London cycle and development opportunities beyond the existing cycle were discussed throughout the year including at the investor conference in September 2014.
Maintaining the Chairman's high standing with investors through periodic engagement	The Chairman maintained contact with principal shareholders and undertook an investor tour in June and July 2014.

The investor relations department received feedback from analysts and investors during the year through the Group's corporate advisers. The department was recognised for its performance and service by winning a number of prestigious awards, including three Thomson Reuters Extel 2014 awards. The Group Company Secretary also 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 pages 79 and 80.

The Governance report was approved by the Board on 18 May 2015.

By Order of the Board

Michael Arnaouti
Group Company Secretary

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

Committee members

– Simon Palley (Chairman and Independent Non-executive Director)
– Dame Alison Carnwath
– Chris Bartram
– Edward Bonham Carter

Dear Shareholder

I am pleased to introduce the Directors' Remuneration Report for 2014/15.

In my statement last year, I signalled that some adjustments may be necessary to our current remuneration arrangements in 2015 as they approached their third anniversary. Accordingly, during the year, the Committee has undertaken an extensive review of the current arrangements to ensure that they are fully fit for purpose. Following careful consideration and recent consultation with key investors and institutional bodies, some revisions to our remuneration arrangements are being proposed. These are reflected in a new Remuneration Policy and Long-Term Incentive Plan to be put before shareholders at the Annual General Meeting on 23 July 2015. If approved, they will come into effect from that date. Details of our proposals are set out below and in the Remuneration Policy Report on pages 61 and 67. I believe that we have both presented our proposals fairly and listened carefully to the views of shareholders during this process.

Summary of our proposals

In April 2012, in light of the reshaping of the Board's responsibilities, we took the opportunity to create a consistent remuneration structure for the Executive Directors, reducing the quantum of variable pay, increasing the weighted length of the vesting period and introducing malus provisions into our annual and long-term incentive arrangements for the first time. Since then, the expectations of institutional investors have developed and best practice has moved on. We have taken the opportunity to review our arrangements, in consultation with the Committee's independent advisers, New Bridge Street. Our overarching objective has been to better align remuneration with our strategy, recent investor guidelines, and the long-term success of the Company. We have also sought to maintain target total remuneration that is around the median amongst our listed peer group and other listed companies of comparable size. The key proposed changes are as follows:

- Simplification of the long-term incentive arrangements through the cessation of awards under the Matching Share Plan (MSP) and compensating increases in share awards under a single new Long-Term Incentive Plan (LTIP)
- Certain adjustments to the Total Property Return and Total Shareholder Return performance criteria and targets, to make them a fairer and more robust reflection of relative performance
- The introduction of an additional two year holding period for shares vesting under the LTIP
- An increase in the share ownership guideline levels for the Executive Directors
- Strengthening of the contractual recovery and withholding (malus and clawback) provisions in relation to awards made under the annual bonus plan and LTIP
- A reduction in the annual on-target bonus level and the introduction of more stretching targets
- An increase in the annual base pay of the Chief Executive after three years' successful performance in the role.

For ease of reference, we have set out in detail the proposals we shared with investors in a table following this Annual Statement. The proposals are reflected in the Remuneration Policy Report section, and the specific annual bonus and LTIP targets are also set out in section 2.4 of the Annual Report on Remuneration ('Performance targets for the coming year').

Consultation process

The consultation process involved contact by letter, telephone and face-to-face meetings with more than 20 of our major shareholders, representing over 50% of the register, as well as the key advisory organisations. Importantly, as well as describing the proposals in detail, we were clear about the alternatives considered and rejected by the Committee, and transparent on the estimated impact of the proposals on the total target remuneration of the Chief Executive and Chief Financial Officer. This is approximately 6% and 2% respectively, excluding an inflationary pay increase which we also confirmed would apply to both.

The discussions were constructive, and whilst some investors raised queries with certain aspects of the proposals (for example, seeking assurance that the new LTIP performance targets will be sufficiently stretching), the clarity with which the proposals were presented was welcomed, and investors generally understood why they were felt to be necessary. The increased shareholding guidelines, additional holding period and the introduction of clawback, in particular, received strong support. As a result of concerns expressed by some investors, we made a key revision to our proposal on the proportion of the LTIP award vesting for in-line performance, which we have reduced from our original proposal of 25% of the total award to 20%.

The conclusion of the consultation process was that all of the shareholders who responded indicated their intention to support the proposals at this year's AGM. I hope that all shareholders will feel able to support the proposals, on the basis that they are sufficiently well explained, and help to achieve the objectives outlined above.

Performance over the year

Whilst the Committee has been engaged on the revisions to our remuneration framework, the teams within the business have been actively focused on meeting the continued demand for space in the right locations across the Group's portfolio. The Board is confident that we are making the right decisions to deliver superior returns to shareholders through the property cycle.

Details of member appointments and biographies, and full attendance at Committee meetings held during the year, appear on **pages 40, 41 and 44**, respectively.

The Committee's terms of reference are available on the Company's website at **www.landsecurities.com**

Annual bonus

With specific focus on the year under review, our teams have produced an outstanding performance against the annual bonus plan measures which can be summarised as follows:

- our measure of Total Property Return versus the market (using the IPD Quarterly Index weighted to the sectors in which the Group is invested) has been a tough challenge, due to the continued outstanding performance of small central London lot sizes which make up the majority of the London Offices part of the index. This puts into perspective that our Total Property Return of 23.3% (adjusted for trading properties and the capital and income extracted from Queen Anne's Gate, SW1, through a bond issue in 2009), representing a 3.1% outperformance against the index, is an excellent achievement;
- revenue profit has remained robust, up 3.0% on last year at £329.1m against a backdrop of the disposal of some weaker higher yielding assets, combined with the income from the development programme not yet coming into full effect. The team has remained focused on development lettings, keeping control of voids, and disciplined management of both recoverable and non-recoverable costs; and
- the team has also delivered an impressive performance against the key business targets agreed at the beginning of the year, including record levels of office development lettings in London and strong progress in pre-letting our proposed shopping centres in Oxford and Glasgow. We only fell short on one planning milestone in the year. It was also very pleasing to see the achievement of the target of securing employment for 125 young people through our Community Employment Programmes.

This all-round excellent performance has created bonus outturns which are higher than last year.

Long-Term Incentive Plan (LTIP)

Turning to the LTIP and the share awards granted in 2012 that vest in July this year, we have performed very well against the two relative measures, each of which makes up a maximum of 50% of the total award. As I said last year, relative measures mean that even in a year when profits are high, the rewards from the LTIP may be low if our competitors have performed more strongly. Equally, in very tough market conditions, the rewards could be higher when outperformance has been significant, even if absolute returns are lower. In relation to the 2012 LTIP awards:

- against a very tough IPD benchmark, as described above, we outperformed the Total Property Return over the three year performance period to 31 March 2015 by 1.0% per annum, and therefore this portion of the award will vest in full (50% of the total); and
- in relation to Total Shareholder Return, our performance has also been strong over the same three year period with 2.3% per annum outperformance versus the comparator group. This means that 69.4% of this portion of the award will vest (34.7% of the total).

In aggregate, therefore, the 2012 awards will vest at 84.7% of the maximum. This compares to a 62.5% vesting last year in respect of the 2011 LTIP awards.

Focus during the year

As described above, the main focus of the Committee's work over the year has been on the management of the proposed changes to the executive remuneration structure, and the consultation process with shareholders. In reaching agreement on what should be presented to shareholders, active discussion took place at every stage, including over a number of alternatives considered and discarded.

The Committee has also overseen the work conducted by the executive team to review the annual bonus arrangements for the Group as a whole, although this work does not directly impact the bonus structure for Executive Directors. The members of the Committee were very keen to ensure that these new arrangements would drive the right behaviours and activities from employees at all levels in the organisation and, in particular, would align the interests of the senior management below the Board with those of shareholders.

As part of its executive remuneration review, the Committee also focused on the external benchmarking of base pay for the two Executive Directors, and for other key members of the Executive Committee. It examined carefully the data provided from external sources before concluding that a 4% increase was justified for Robert Noel, over and above a standard inflationary pay increase for this year of 2%. This review was planned and committed to at the time of his appointment in 2012 and took into account the performance of the Group versus its peers and his total pay relative to other chief executives in the sector. An inflationary increase of 2% has been awarded to Martin Greenslade.

Looking forward

I am confident that the changes we have proposed, as reflected in the new Remuneration Policy, will ensure that the leaders of Land Securities remain focused on delivering superior returns for shareholders. Whilst they continue to be stretching, the revisions to the performance criteria and targets should also provide a better reflection of relative performance. Actions such as the introduction of the post-vesting holding period, the increase in the shareholding guidelines and the tightening of the malus and clawback provisions, will all contribute to a longer-term focus from the team on behalf of shareholders. This will be critical in the context of the cyclical and changing nature of our core markets.

Simon Palley
Chairman, Remuneration Committee

Summary of main changes proposed to the current executive remuneration structure

(Unaudited) Table 29

Current position	Proposed change	Rationale for change
Matching Share Plan (MSP)		
• Executives receive an annual award of Land Securities shares equal to 150% of base salary (subject to the maximum investment being made), with the same performance measures and weightings as the LTIP.	• Executives will no longer participate in the MSP but will instead, on a compensatory basis, receive an increased award under the new LTIP.	• Simplification of the long-term incentives into one plan, the LTIP. Some shareholders had previously objected to the MSP on the basis that it added too much complexity • The MSP is being retained for Senior Management to encourage them to increase their shareholdings in the Company and to act as a retention tool.
Long-Term Incentive Plan (LTIP)		
• Executives receive an annual award of Land Securities shares equal to 150% of base salary.	• Annual awards will increase from a maximum of 150% to 300% of base salary • An additional holding period of two years (which also applies post-employment) will be introduced following the expiry of the three-year performance vesting period.	• Increase reflects the loss of MSP awards in the future • The additional holding period is in line with the best practice expectations of investors and encourages a long-term focus by the Executives.
• 50% of the total award is tested against relative Total Shareholder Return (TSR) and 50% against Total Property Return (TPR) performance.	• No change.	• TSR and TPR are the performance metrics most closely aligned to the interests of shareholders • Other measures, such as relative net asset value performance, were considered but discarded as they were not sufficiently robust to give a true reflection of relative performance.
• TSR – the proportion of the award vesting for in-line performance is set at 30% • The relative outperformance target for maximum vesting is currently 4% per annum.	• Reduce to 20% • Reduce to 3% per annum.	• The reduction in the proportion of the award vesting for in-line performance will incentivise a focus on outperformance • The Group has delivered very strong TSR performance in the past three years and this has not been properly reflected in the LTIP vesting outturns • A target of 3% outperformance per annum is broadly consistent with an upper quartile performance over the last ten years.
• TPR – the proportion of the award vesting for in-line performance is set at 25% • The benchmark is currently weighted to the largest sectors within the Company's portfolio	• Reduce to 20% • Widening the benchmark to include all March-valued properties, increasing the total benchmark value from £70bn to £145bn, thereby including a much broader range of commercial property	• The reduction in the proportion of the award vesting for in-line performance will incentivise a focus on outperformance • The broader index is much larger and includes properties owned by more comparable organisations • As it is not sector weighted, the new benchmark measures the decisions taken by management to invest (or not) in all sub-sectors of commercial property
• 1% per annum outperformance over the three- year performance period for maximum vesting.	• No change.	• The target of 1% outperformance per annum is broadly consistent with upper quartile fund performance versus the IPD benchmark.
Annual bonus		
• Maximum bonus opportunity of 150% of base salary, with a target expected value of 90% of base salary (i.e. 60% of maximum)	• Reduce the target expected value to 75% of salary (i.e. 50% of maximum) and require the achievement of more stretching targets to achieve the same outturns, in particular for revenue profit	• The reduction in the target bonus level will help to ensure that payments are commensurate with performance
• Company performance measure versus IPD benchmark	• The benchmark for this element of the bonus will change to match the one proposed for the LTIP (as above), including a payment for in-line performance	• Alignment of the measure of TPR with the LTIP aids simplicity • The TPR measure is still considered very challenging and therefore it is appropriate to award a small proportion for matching the benchmark, thereby ensuring that it retains focus by management and employees.
• Deferred element.	• No change.	
Shareholding requirements and clawback		
• Current shareholding requirements (to be achieved normally within five years of appointment): • Chief Executive – 200% of base salary • Chief Financial Officer – 150% of base salary	• Increase to 250% of base salary • Increase to 200% of base salary	• The increases and extensions are in line with current investor sentiment and encourages closer alignment between the interests of the Executives and shareholders • As part of the shareholder consultation process we agreed to review the shareholding guidelines again at the same time as the Remuneration Policy is next reviewed, likely to be in 2018.
• Existing malus provisions permit recovery from unvested awards.	• Extending recovery provisions for monies paid under the annual bonus plan and awards vested under the LTIP in the event of material misstatement, fraud or gross misconduct. These provisions will remain active for two years post payment or vesting.	
Chief Executive's base salary		
• Set at 95% of median on appointment in 2012. Since then, increases have been at the annual rate of pay increase for employees generally.	• Increase base salary by 4% (plus an inflationary increase of 2%) with effect from 1 June 2015.	• The change recognises the increase in the Chief Executive's responsibilities (the number of Executive Directors has reduced from four to two), and success in the role since appointment • The increase also reflects a competitive positioning versus a market benchmarking exercise undertaken.

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 (Code) and the views of our major shareholders. The Policy Report will be put to a binding shareholder vote at the Annual General Meeting (AGM) on 23 July 2015 and the new Policy will take formal effect from the date of approval (replacing the previous policy approved by shareholders at the 2014 AGM). It is intended that the Policy will be in force for a period of three years from the date of approval.

2. The role of the Remuneration Committee in setting policy

The Committee is responsible for:

- engaging with shareholders with regard to remuneration and ensuring that their views are taken into account when setting policy
- determining the overall strategy for the remuneration of Executive Directors and Senior Management
- ensuring the policy is aligned with, and promotes 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 Executive Committee members
- overseeing any significant changes to employee remuneration across the Group
- approving the design of performance-related incentive plans
- overseeing the operation of all incentive plans and awards and determining whether performance criteria have been met in confirming vesting or maturity.

3. Considerations when determining the remuneration policy

The Committee's primary objective when setting the remuneration policy is to provide competitive pay arrangements which promote the long-term success of the Company. To achieve this, the Committee takes account of the responsibilities, experience, performance and contribution of the individual, as well as levels of remuneration for individuals in comparable roles elsewhere. The Committee also takes into account the views expressed by shareholders and institutional investors' best practice expectations, and monitors developments in remuneration trends. The Policy places significant emphasis on the need to achieve stretching and rigorously applied performance targets, with a significant proportion of remuneration weighted towards performance-linked variable pay.

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 pay and employment conditions elsewhere in the Group. Salary increases for the Executive Directors will not typically exceed (in percentage of salary terms) those of the wider workforce.

4. Consideration of shareholder views

The Committee's objective is to maintain strong relationships with shareholders and shareholder bodies and to encourage them to share their thoughts with us. The Committee values investors' views in the process of formulating remuneration policy decisions and has consulted extensively with major shareholders in setting the Policy. The Committee will continue to spend time each year considering feedback received at the AGM and throughout the year as part of the ongoing review of policy. We are very grateful for the time and assistance shareholders give us.

As described in the Remuneration Committee Chairman's Annual Statement, the Committee undertook a comprehensive review of the current executive remuneration policy during the year, to ensure it remains appropriate and fit for purpose in light of both the Company's strategy and developments in best practice expectations of investors. In doing so, it has engaged with shareholders holding more than 50% of the Company's shares, as well as the leading shareholder advisory organisations. The key changes to the Policy resulting from the review are as follows:

- simplification of the long-term incentive arrangements with the discontinuation of the Matching Share Plan (MSP)
- the maximum award limit under the new Long-Term Incentive Plan (LTIP) will be 300% of salary (the same as the normal combined award under the previous LTIP and MSP)
- some adjustments have been made to the performance targets and criteria within the LTIP
- introduction of a two-year holding period for shares post vesting under the new LTIP
- strengthening of the recovery and withholding provisions in the annual bonus plan and LTIP
- a reduction in the target value of the annual bonus plan to 50% of maximum (from 60%)
- an increase of 50% of salary to the share ownership guideline levels for Executive Directors.

5. Remuneration policy

5.1 Summary of the individual elements of the remuneration package offered to Executive Directors

Remuneration policy (Unaudited) Table 30

Purpose and link to strategy	Operation	Opportunity	Discretion
Base salary			
• To aid the recruitment, retention and motivation of high performing Executives • To reflect the value of their experience, skills, knowledge and importance to the business.	• Reviewed annually, with effect from 1 June, and 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 – Changes in the scope of a Director's role may also require a further adjustment to salary.	• For 2015/16, the annual base salaries of the Executive Directors are £753,596 (Chief Executive), and £490, 549 (Chief Financial Officer), representing a 6% and 2% increase respectively • The maximum annual salary increase will not normally exceed the average increase across the rest of the workforce (2015/16 3%). Higher increases will be exceptional, and made in specific circumstances, including: – Increase in responsibilities or scope of the role – To apply salary progression for a newly appointed Director – Where the Director's salary has fallen 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. It will also determine whether there are specific reasons to award salary increases greater than those for the wider workforce.
Benefits			
• To provide protection and market competitive benefits to aid recruitment and retention of high performing Executives.	• Directors receive a combination of: – Car allowance – Private medical insurance – Life assurance – Ill health income protection – Holiday and sick pay – Professional advice in connection with their directorship – Travel, subsistence and accommodation as necessary – 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.
Pension			
• To help recruit and retain high performing Executives • To reward continued contribution to the business by enabling Executive Directors to build retirement benefits.	• Participation into a defined contribution pension scheme or cash equivalent.	• Directors receive a pension contribution or cash allowance of 25% of salary.	• The Policy will apply as stated.

Remuneration policy continued

(Unaudited) Table 30

Purpose and link to strategy	Operation	Opportunity	Discretion
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 properties in the short term • Other KPIs, such as development lettings targets, are likely to have a significant impact on capital growth and long-term 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' interests 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 • Specific measures and targets will be set each year, but will always include a measure of Total Property Return versus that of the market • Other measures and targets will reflect the most critical business performance indicators for the year ahead, and will be both specific and measurable. Revenue Profit performance will always feature as a key measure • The achievement of on-target performance should result in a payment of 50% of the maximum opportunity (i.e. 75% of salary) • A small proportion (no more than 20% of base salary) of a Director's bonus is based on the Committee's assessment of the achievement of pre-set personal performance objectives • The structure of the plan incentivises outperformance by ensuring that the threshold targets are stretching • Bonuses up to 50% of salary are paid in cash • Any amounts in excess of 50% of salary are deferred into shares for one year • Any amounts in excess of 100% of salary are deferred into shares for two years • Deferred shares are potentially forfeitable if the Executive leaves prior to the share release date • Bonus payments are not pensionable • Withholding and recovery provisions (malus and clawback) apply where any overpayment was made as a result of a material misstatement of the Company's results or a performance condition, or where there has been fraud or gross misconduct, whether or not this caused the overpayment.	• Minimum bonus payable is 0% of salary • Maximum bonus potential is 150% of salary.	• The Committee has the discretion to set targets and measures each year • The outturns for the Group element of the bonus plan are calculated formulaically and therefore the Committee has no discretion to adjust these, unless it feels it is necessary to adjust them down • 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 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 – To determine that no bonus, or a reduced bonus, is payable where the performance of the business has been poor, notwithstanding the achievement of objectives.
Long-Term Incentive Plan (LTIP)			
• Incentivises value creation over the long term in excess of that created by general market increases • Rewards execution of our strategy and the long-term outperformance of our competitors • Aligns the long-term interests of Directors and shareholders • Promotes retention.	• The Committee may make an annual award of shares under the LTIP • Vesting is determined on the basis of 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 • The measures selected are relative and directly aligned to the interests of shareholders. 50% of an award is weighted to a measure of Total Property Return versus the industry benchmark over a three year period and 50% to Total Shareholder Return versus our listed comparator group over a three year period • For each measure, no awards vest for performance below that of the benchmark. Only a proportion (20%) will vest for matching the performance of the benchmark 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 plan rules or approved by shareholders • Executive Directors are required to hold vested shares for a further two years (including post employment) following the three year vesting period expiry • Withholding and recovery provisions (malus and clawback) apply where any overpayment was made as a result of a material misstatement of the Company's results or a performance condition or where there has been fraud or gross misconduct, whether or not this caused the overpayment.	• Normal and current award policy limit is 300% of salary.	• The outturns of the LTIP are calculated formulaically and therefore the Committee has no discretion to adjust these, unless it determines they should be adjusted down. • 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 departing Director is treated as a 'good leaver' for the purposes of the LTIP 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.

Remuneration policy continued (Unaudited) Table 30

Purpose and link to strategy	Operation	Opportunity	Discretion
Savings Related Share Option Scheme (SAYE Scheme)			
• To encourage all employees to make a long-term investment in the Company's shares, through a savings-related arrangement.	• All employees, including Executive Directors, are entitled to participate in the SAYE Scheme operated by the Company in line with UK HMRC guidelines currently prevailing.	• The maximum participation levels may vary in line with HMRC limits. For 2015/16, participants may save up to £500 per month for either three and/or five years, using their accumulated savings at the end of the period to purchase shares at a 20% discount to the market price at the date of grant.	• The Policy will apply as stated • Within the Policy, the Committee will retain the flexibility to determine whether a departing Director should be treated as a 'good leaver'.
Share ownership guidelines			
• To provide close alignment between the longer-term interests of Directors and shareholders in terms of the Company's growth and performance.	• Executive Directors are expected to build up and maintain shareholdings in the Company with a value set at a percentage of base salary: – Chief Executive – 250% of salary – Other Executive Directors – 200% of salary These levels are normally required to be achieved 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 ownership levels on a net-of-tax basis.		• In exceptional circumstances, the Committee may extend the period by which share ownership levels are required to be achieved by up to two years.

5.2 Previous arrangements

For the avoidance of doubt, in approving this Policy Report, authority is sought by the Company to honour any outstanding commitments (subject to existing terms, conditions and plan rules as applicable) 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 for the year in which they arise.

5.3 Discretion

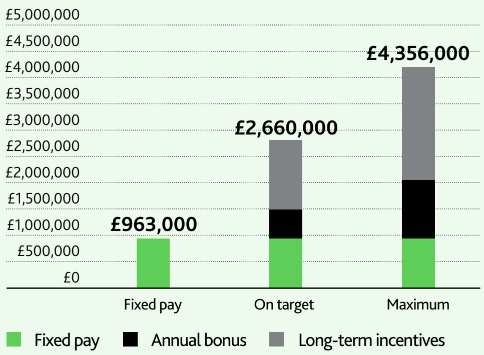
The Committee will operate within the Policy at all times. It will also operate the various plans and schemes according to their respective rules and consistent with normal market practice and the Listing Rules (as applicable). Within the Policy, the Committee will retain the discretion to look at performance '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 following Annual Report on Remuneration. (Please see the previous table for more detail on the discretion allowed for each element of the reward package.)

6. Fixed and variable pay reward scenarios

6.1 Total opportunity at maximum and target levels

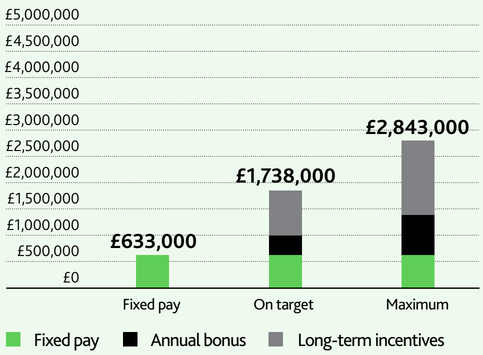
Our aim is to ensure that superior rewards are only paid for exceptional performance, with a substantial proportion of Executive Directors' remuneration payable in the form of performance-related pay. The charts that follow illustrate the remuneration opportunity provided to each Executive Director at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

Robert Noel
Chief Executive
Chart 31



Fixed pay 22%; Annual bonus 26%; and Long-term incentives 52% (percentages are of the maximum).
Maximum value does not include share price movement between grant and vesting of long-term incentives.

Martin Greenslade
Chief Financial Officer
Chart 32



Fixed pay 22%; Annual bonus 26%; and Long-term incentives 52% (percentages are of the maximum).
Maximum value does not include share price movement between grant and vesting of long-term incentives.

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

Fixed and variable pay assumptions (Unaudited) Table 33

Fixed pay	• Consists of the latest base salary, benefits and pension allowances • Pension allowance calculated at 25% of new base salary.				
					Outturn
		Base (£000)	**Benefits (£000)**	**Pension (£000)**	**Total fixed (£000)**
	Robert Noel, Chief Executive	754	20	189	963
	Martin Greenslade, Chief Financial Officer	491	19	123	633
On-target award	Based on what a Director would receive if performance was in line with expectations: • Annual bonus pays out at 50% of the maximum • LTIP vests at 50% of the total award.				
Maximum award	• Annual bonus pays out in full • LTIP vests in full.				

6.2 Payment schedule

The following table illustrates in which financial years the various payments in the above 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 34

Financial year	Base year	Base year +1	Base year +2	Base year +3	Base year +5
• Element of remuneration received.	• Base salary • Benefits • Pension.	• The annual bonus targets are measured and the first portion of the annual bonus (up to 50% of salary) is paid in cash. The remainder is paid in shares and deferred.	• The first deferred portion of the annual bonus (between 50% and 100% of salary) is released as shares.	• The final portion of the annual bonus (awards in excess of 100% of salary) is released as shares • LTIP share awards vest but remain subject to a two year holding period.	• Holding period on LTIP shares ends.
		Annual bonus (cash and deferred shares) and vested and unvested LTIP shares are subject to withholding and recovery provisions.			

7. Directors' Service Agreements and Letters of Appointment

7.1 Service Agreements – Executive Directors

The Executive Directors have Service Agreements with the Company which normally continue until the Director's agreed retirement date or such other date as the parties agree. In line with Group policy, the Executive Directors' employment can be terminated by either party on giving 12 months' prior written notice.

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

7.2 Termination provisions – Executive Directors

An Executive 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, including pay in lieu of notice. The Group's normal approach 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. There are no special provisions for Executive Directors with regard to compensation in the event of loss of office.

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 automatically lapse on cessation of employment. However, under the rules of the LTIP, 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, all outstanding awards lapse.

7.3 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 above, 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 (subject to performance in the role) implemented over the following few years to bring the salary to the desired positioning. 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 in the first year. Depending on the timing and responsibilities of the appointment, it may be necessary to set different performance measures and targets initially. The LTIP would also operate in accordance with the Policy. The maximum level of variable pay that may be offered to a new Executive Director is thus at an aggregate maximum of 450% of salary. This limit does not include the value of any buy-out arrangements deemed appropriate (see below).

In addition to the elements of the remuneration package covered by the Policy, the Committee may 'buy-out' certain existing remuneration of an incoming Executive Director through the offer of either 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 take into account the existing delivery mechanism (i.e. cash, shares, options), time horizons and performance conditions.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be satisfied 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.

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. The Company may offer a cash amount on recruitment, payment of which may be staggered over a period of up to two years, to reflect the value of benefits a new recruit may have received from a former employer.

Shareholders will be informed of the remuneration package and all additional payments to newly appointed Directors at the time of their appointment.

7.4 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 Chairman or Non-executive Director can be terminated, by either party, upon three months' prior written notice. The dates of the current Letters of Appointment of the Non-executive Directors are shown in the Annual Report on Remuneration and the Letters are available for inspection at the Company's registered office.

On appointment, the fee arrangements for Non-executive Directors would be set in accordance with the approved remuneration policy in force at that time.

8. Non-executive Director remuneration policy

Non-executive Director remuneration policy (Unaudited) Table 35

Purpose and link to strategy	Operation	Opportunity
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.	• The Chairman is paid a single fee for all Board duties and the other Non-executive Directors receive a basic Board fee, with supplementary fees payable for additional responsibilities • Reviewed (but not necessarily changed) annually by the Board, having regard to independent advice and published surveys • The Chairman's fee is also reviewed by the Board rather than the Remuneration Committee.	• The current fees for Non-executive Directors are shown in the Annual Report on Remuneration • Non-executive Director fees are typically reviewed annually but increased every two to three years • Any increases reflect relevant benchmark data for Non-executive Directors in companies of a similar size and complexity, and the time commitment required.
Additional fees		
• To reflect the additional time commitment required from Non-executive Directors in chairing various Board Committees or becoming the Board's Senior Independent Director.	• Reviewed (but not necessarily changed) annually by the Board, having regard to independent advice and published surveys.	• The opportunity depends on which, if any, additional roles are assumed by an individual Director over the course of their tenure • Any increases reflect relevant benchmark data for Non-executive Directors in companies of a similar size and complexity, and the time commitment required.
Other incentives and benefits		
	• Non-executive Directors do not receive any other incentives or benefits beyond the fees noted above. Expenses in relation to Company business will be reimbursed • If deemed necessary, and in the performance of their duties, Non-executive Directors may take independent professional advice at the Company's expense.	n/a
Share ownership guidelines		
• To provide close alignment between the longer-term interests of Directors and shareholders in terms of the Company's growth and performance.	• The current share ownership guidelines require Non-executive Directors to own shares in the Company with a value of 100% of annual fees within three years of appointment.	

9. Group-wide remuneration

9.1 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 UK economy, the rate of inflation and pay rates for equivalent roles in similar companies. Executive Directors generally receive an increase equivalent to the average, unless there has been a change in scope or responsibilities, significant development of an individual into the role, or there is a specific market reason for a different level of award.

9.2 Senior management

In addition to the Executive Directors, there are five members of the Executive Committee (who report into the Chief Executive), namely the two Managing Directors for London and Retail, the Group Human Resources Director, the Group General Counsel and Company Secretary, and the newly appointed Director of Corporate Affairs and Sustainability. There is also a group of 15 managers at the level below the Executive Committee considered to be part of 'senior management'. None of these managers receive a salary or total remuneration package which is higher than those paid to the Executive Directors. The structure of their remuneration packages, including LTIPs and annual bonuses, is broadly consistent with that of Executive Directors, albeit at a lower quantum. However, we have also chosen to retain a matching share arrangement for this group, in the interests of encouraging share ownership and as a retention tool. Senior management below the Board may be given the opportunity to purchase shares up to a certain value (normally 12.5% to 37.5% of gross base salary), and these will then be matched by the Company on a 2:1 basis. Matching awards are subject to the same performance conditions as exist under the LTIP.

9.3 Other employees

Other employees are also entitled to participate in the Company's annual bonus plan, and are also eligible to be considered for an award from a discretionary bonus pool of £1.0m, with awards typically 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, and a travel season ticket loan. They can also participate in the Company's Savings Related Share Option Scheme, under which invitations are normally made annually. An Executive Share Option Plan is open to those management staff not eligible to participate in the LTIP.

DIRECTORS' REMUNERATION REPORT – ANNUAL REPORT ON REMUNERATION

The Annual Report on Remuneration describes how we intend to apply the proposed new policy for the financial year ahead (from 1 April 2015 to 31 March 2016) and how the current policy has been applied for the financial year ended 31 March 2015, including all 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:

- shaping the revisions to the Remuneration Policy described in the previous section, and sharing these with investors and the key advisory bodies
- overseeing revisions to the annual bonus arrangements for the Group as a whole, which are now more aligned with the arrangements for Executive Directors
- determining salary increases for Executive Directors and Executive Committee members, together with overall levels of salary increases across the Group
- setting and subsequently reviewing the outcomes for business unit and personal targets under the annual bonus plan for Executive Directors and Executive Committee members
- reviewing the outcomes for achievement against the performance conditions of the Long-Term Incentive Plan (LTIP) and Matching Share Plan (MSP)
- determining proposed share incentive awards to Executive Directors, Executive Committee members and senior leaders
- determining Directors' compliance with the Company's share ownership guidelines.

1. Dates of appointment for Directors

(Unaudited) Table 36

Name	Date of appointment	Date of current contract
Executive Directors		
Robert Noel	1 January 2010	23 January 2012
Martin Greenslade	1 September 2005	9 May 2013
Non-executive Directors[1]		
Dame Alison Carnwath	1 September 2004	13 May 2015
David Rough (stepped down on 18 July 2014)	2 April 2002	29 April 2004
Kevin O'Byrne	1 April 2008	13 May 2015
Chris Bartram	1 August 2009	13 May 2015
Simon Palley	1 August 2010	13 May 2015
Stacey Rauch	1 January 2012	13 May 2015
Edward Bonham Carter	1 January 2014	13 May 2015
Cressida Hogg	1 January 2014	13 May 2015

1. Letters of Appointment for the Non-executive Directors have recently been amended in line with the UK Corporate Governance Code and best practice, including the extension of notice periods to three months from either party.

2. The application of policy for the year ahead

This section sets out how we intend to apply our Remuneration Policy over the course of the financial year commencing 1 April 2015.

2.1 Directors' salaries

On his appointment in March 2012, Robert Noel was informed that his salary would be reviewed after two to three years in post depending on satisfactory performance. At that time, his salary was set at around 95% of the median benchmark considered for similar sized real estate and utility companies and at around 80% of the median benchmark considered for similar sized pan-sector (FTSE 100) companies. The Committee therefore determined that it was appropriate to undertake a peer group benchmarking exercise this year for both Executive Directors. The benchmarking analysis was conducted in consultation with the Committee's independent remuneration advisers, New Bridge Street, and the following key points were noted by the Committee:

- total remuneration was assessed on the basis of on-target pay rather than on the basis of actual amounts of pay awarded in the year, given the volatility of outturns
- total remuneration was defined as base salary, value of pension and benefits, on-target bonus and theoretical 'expected value' of long-term incentives
- data was examined for two peer groups using information sourced from publicly available data: a 'Sector Group' comprising all FTSE 350 real estate companies (excluding estate agencies) and a 'FTSE General Group' comprising companies of a comparable market capitalisation to Land Securities
- the Chief Executive was benchmarked against the higher paid of the Chief Executive and (full-time) Executive Chairman and the Chief Financial Officer was benchmarked against other Chief Financial Officers.

In reviewing the Chief Executive's salary, and in addition to the benchmarking data, the Committee took into account Robert Noel's success in post, and the increase in his executive responsibility arising from a reduction in the number of Executive Directors from four, immediately prior to his appointment in 2012, to two in 2014. It therefore proposed an increase of 4% to his base salary, in addition to a standard inflationary award of 2%. This increase is consistent with the Committee's overall aim of setting salaries at or below the median benchmarks for listed real estate and similarly sized utility companies, as well as companies of a comparable size drawn from across all sectors more generally.

After reviewing the data for the Chief Financial Officer, the Committee concluded that no additional increase was necessary for Martin Greenslade and that he should receive an inflationary uplift of 2% to his base salary.

The salary increases shown below will take effect from 1 June 2015:

Executive Directors (Unaudited) Table 37

Name	Current (£000)	From 1 June 2015 (£000)	% increase	Average % increase over five years (including 2015/16)
Robert Noel	711	754	6.0	**3.6**[1]
Martin Greenslade	481	491	2.0	**3.1**

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

Non-executive Directors

Following a review of fees for Non-executive Directors undertaken in September 2013, the Board again decided not to increase these fees over the course of the year. They remain as shown in the table below, and we believe them to be both competitive and reflective of the time commitment given.

Non-executive Directors (Unaudited) Table 38

NED fees (annual)	As at 31 March 2015 (£000)
Chairman	350.0
Base fee	67.5
Audit Committee Chairman	17.5
Remuneration Committee Chairman	12.5
Senior Independent Director	10.0

2.2 Pensions and benefits

Pensions and benefits arrangements will continue to operate as per the Policy outlined in the previous section. No significant 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

As described in the Policy Report, the maximum outturn on variable pay will remain at 450% of base salary, comprising 150% for annual bonus and 300% for awards under the single LTIP. Awards will no longer be made to Executive Directors under the MSP.

As part of these proposed changes, we have also made some adjustments to the performance criteria and targets within both the annual bonus plan and LTIP, described in detail in table 39. In the case of the LTIP, the changes are designed to be a fair and transparent reflection of the Group's relative performance, and to align individual rewards with performance and returns to shareholders, relative to our peers. The new criteria and targets will apply to awards made under the new LTIP from 2015 onwards. A full description of the terms of the new LTIP is contained in the Notice of AGM as required by the UKLA when a share plan is put to shareholders for their approval. If approved, the new LTIP will be operated in accordance with the Policy as set out in the previous section. The rules have been simplified from those approved in 2005 by shareholders but are otherwise broadly similar in the way they operate. For all awards made under the LTIP and MSP prior to 2015, the existing policy and plan rules will apply.

In the case of the annual bonus, we have aligned the measure of Total Property Return with the LTIP and reset the revenue profit target, five years after the baseline was set in 2010. We have not included some of the specific business plan targets for this year's annual bonus plan as they are commercially sensitive, but we have laid out clearly the performance measures we will use. This is a longer list than in previous years, reflecting the Committee's wish to take a more 'in the round' view of performance, and also reflecting the bonus arrangements for the Group as a whole, where our objective is to have a clear line of sight between the achievement of performance targets at a Group level and individual outturns.

Details of the specific business plan targets for 2015/16 will be disclosed in next year's report when we explain the outturn of this year's annual bonus.

2.4 Performance targets for the coming year

Performance targets for the coming year (Unaudited) Table 39

Metric	Link to strategy and value for shareholders	Performance measure	Target
Long-Term Incentive Plan			
• Total Shareholder Return (50.0% of overall 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 £9.9bn, 3% per annum outperformance over three years would generate approximately £917m of value for shareholders over and above that which would have been 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) • 10% of the overall award vests for matching the index, and 50% of the overall award for outperforming it by 3% per annum. Vesting is on a straight-line basis between the two.	Outperformance of the index by 3% or more per annum for maximum vesting.
• Ungeared Total Property Return (50.0% of overall award).	• Rewards sustained outperformance by our portfolio compared with the industry's commercial property benchmark • Incentivises 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 £14.0bn, 1% per annum outperformance over three years generates approximately £424m of value beyond that which would have been received had the portfolio performed in line with the benchmark.	Measured over a period of three financial years: • The Group's ungeared Total Property Return (TPR) relative to the IPD benchmark comprising all March-valued properties. Total benchmark value c.£145bn • 10% of the overall award vests for matching the benchmark and 50% of the overall award vesting where we outperform the benchmark by 1% per annum. Vesting is on a straight-line basis between the two.	Outperformance of the benchmark by 1% or more per annum for maximum vesting.
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 • Incentivises 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 £14.0bn, 2% outperformance would generate approximately £280m of return over and above the returns of commercial property within our sectors.	• The Group's ungeared Total Property Return (TPR) relative to an IPD benchmark comprising all March-valued properties. Total benchmark value c.£145bn • 6% of the overall award for matching the benchmark, and 26% of the overall award for outperforming the benchmark by 2%. Payment is on a straight-line basis between the two.	Outperformance of the benchmark by 2% for the year.
• Absolute growth in revenue profit (26.0% of award, or 39.0% of salary).	• Encourages above inflation growth in income profits, year-on-year, on the basis of a new three year plan set in 2015 • Adjustment for significant net investment/ disinvestment gives a like-for-like view of performance • Encourages sustainable dividend growth and cover over the medium-term.	• Once the Group has met a threshold level on revenue profit, a portion (5%) of the excess is contributed to the bonus pool for the Group. This will be capped at 26% of the overall award. An adjustment (+/-3%) is made for net investment/ disinvestment activity above £500m.	Will be confirmed in 2016 Report.

Performance targets for the coming year continued (Unaudited) Table 39

Metric	Link to strategy and value for shareholders	Performance measure	Target
Annual bonus – specific business targets			
• Development lettings (15.8% of award, or 24.0% 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 2016 Report.
• London Residential Sales (1.8% of award, or 2.6% of salary).	• Reflects the important contribution of our residential pipeline in London.	• Specific targets have been set for individual assets in London.	Will be confirmed in 2016 Report.
• Key disposals according to plan (3.5% of award, or 5.3% of salary).	• Ensures that assets likely to underperform are sold, before they impact the returns to shareholders.	• Specific assets in both London and Retail have been earmarked for sale over the course of the year.	Will be confirmed in 2016 Report.
• Project Milestones, Planning (3.5% of award, or 5.3% of salary).	• Ensures that momentum is maintained behind the delivery of key projects critical to the delivery of shareholder value.	• Specific planning targets have been set for individual assets in both London and Retail.	Will be confirmed in 2016 Report.
• Project Milestones, Development (3.5% of award, or 5.3% of salary).	• Ensures that momentum is maintained behind the delivery of key projects critical to the delivery of shareholder value.	• Achievement of milestones to specified budgets and timescales, applied to specific projects across London and Retail.	Will be confirmed in 2016 Report.
• Management of the Group's secured lending pool (1.8% of award, or 2.6% of salary).	• Building further flexibility into the secured lending pool.	• A specific target has been set around the concentration of assets within the secured lending pool.	Will be confirmed in 2016 Report.
• Further development of the culture of Land Securities with a focus on diversity (1.8% of award, or 2.6% of salary).	• Demonstrates the commitment to a more diverse and customer-focused culture as a key driver of business performance.	• Specific targets have been set around the embedding of the purpose, goal, vision and values. Progress to be demonstrated against diversity metrics.	Improvement in specific engagement survey scores, improvement in certain diversity metrics.
• Completion of mandatory Health and Safety training (1.8% of award, or 2.6% of salary).	• Demonstrates a clear commitment to Health and Safety practices as a key measure of high quality delivery at all levels and in all areas.	• A specific target has been set around mandatory Health and Safety training for all employees within six months of joining.	100% of mandatory training completed within six months of joining.
• Community Employment Programmes (1.8% of award, or 2.6% 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 via our Community Employment Programmes.	170 candidates into permanent employment, either inside the Group or with our partners.
• Individual targets for Executive Directors (13.0% 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 2016 Report.

2.5 Savings Related Share Option Scheme

We will again this year be providing all employees, including Executive Directors, with the opportunity to participate in the Company's Savings Related Share Option Scheme. This allows them to make fixed monthly savings for a period of either three and/or five years, at the end of which they can use their accumulated savings to purchase Land Securities shares at a discount of 20% to the market price at the date of grant. In line with government regulations, the monthly contribution amount was increased last year from £250 to £500 for invitations made after 6 April 2014.

2.6 Directors' interests (Audited)

Details of the Directors' interests, including those of their immediate families and connected persons, in the issued share capital of the Company at the beginning and end of the year are set out in the table below. It also shows the value of each Director's interest compared to the value required to be held under the Company's share ownership guidelines.

Directors' shares (Audited) Table 40

Name	Salary (£)	Required holding value (£)	Holding (ordinary shares) 1 April 2014	Holding (ordinary shares) 31 March 2015	Net deferred bonus shares (after income tax and NI)	Value of holding[1] (£)
Robert Noel[2]	710,940	1,777,500	163, 011	223,167	38,046	**3,273,000**
Martin Greenslade[3]	480,930	962,000	302,151	358,228	26,556	**4,821,346**
Dame Alison Carnwath[4,5]	350,000	350,000	141,193	143,890		**1,802,942**
Kevin O'Byrne[4]	95,000	95,000	11,516	11,552		**144,747**
Chris Bartram[4]	67,500	67,500	11,478	11,478		**143,819**
Simon Palley[4]	80,000	80,000	17,061	17,061		**213,774**
Stacey Rauch[4]	67,500	67,500	8,000	8,000		**100,240**
Edward Bonham Carter[4]	67,500	67,500	–	10,000		**125,300**
Cressida Hogg[4]	67,500	67,500	–	10,000		**125,300**

1. Using the closing share price of £12.53 on 31 March 2015, the actual value of holding plus value of net deferred bonus shares.
2. Requirement for the Chief Executive to own shares with a value of 2.5 x base salary within five years of appointment.
3. Requirement for other Executive Directors to own shares with a value of 2.0 x base salary within five years of appointment.
4. Requirement for Non-executive Directors to own shares equal to 1.0 x the annual fee within three years of appointment.
5. Between 31 March and 18 May 2015, the date on which this report has been signed, there have been no changes in the Directors' interests except in relation to Dame Alison Carnwath. Her interests increased to 144,585 ordinary shares through the acquisition of an additional 695 shares on 10 April 2015 under the Company's Dividend Reinvestment Plan.

2.7 Outstanding share awards held by Directors (Audited)

The table below shows the share awards made to Executive Directors which have not yet vested. It also shows those awards under both the LTIP and MSP that vested during the year.

Outstanding LTIP and MSP share awards and those which vested during the year (Audited) Table 41

		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	2014	29/06/2011	827.5	49,305	30,816	1,037	29/06/2014
		2015	27/07/2012	777	131,274			27/07/2015
		2016	08/07/2013	921	112,964			08/07/2016
		2017	01/07/2014	1,039	102,638			01/07/2017
	MSP shares	2014	29/07/2011	861	50,218	31,386	1,050	29/07/2014
		2015	27/07/2012	781	130,600			27/07/2015
		2016	08/07/2013	921	112,964			08/07/2016
		2017	01/07/2014	1,039	102,638			01/07/2017
Martin Greenslade	LTIP shares	2014	29/06/2011	827.5	51,359	32,099	1,037	29/06/2014
		2015	27/07/2012	777	88,803			27/07/2015
		2016	08/07/2013	921	76,416			08/07/2016
		2017	01/07/2014	1,039	69,431			01/07/2017
	MSP shares	2014	29/06/2011	861	51,580	32,238	1,050	29/07/2014
		2015	27/07/2012	781	88,348			27/07/2015
		2016	08/07/2013	921	76,416			08/07/2016
		2017	01/07/2014	1,039	69,431			01/07/2017

2.7 Outstanding share awards held by Directors (Audited) continued

Martin Greenslade's options over shares as set out below relate to the Savings Related Share Option Scheme. They are not subject to performance conditions as the scheme is available to all employees and HMRC rules do not permit performance conditions for this type of scheme. The options were not exercised during the year to 31 March 2015, and therefore no gains are shown.

Savings Related Share Option Scheme (Audited) Table 42

	Number of options at 1 April 2014	Exercise price per share (p)	Number of options granted in year to 31 March 2015	Exercise price per share (p)	Number exercised	Market price at exercise	Number of options at 31 March 2015	Exercisable dates
Martin Greenslade	1,559	577			–	–	1,559	08/2015-02/2016
			1,060	848.5	–	–	1,060	08/2017-02/2018
							2,619	

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 2015. Tables 43 and 44 show the payments we expect to make and then tables 45 and 46 give more detail on how we have measured the performance outcomes with respect to the annual bonus and LTIP in the context of value created for shareholders.

3.1 Directors' emoluments (Audited)

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 June 2015 in connection with performance achieved in the financial year ending 31 March 2015. The values shown for Long-Term Incentive Plan awards in 2014/15 are calculated using the average share price for the quarter ended 31 March 2015. The actual price is not known at the time of writing as the awards do not formally vest until June and July 2015.

Single total figure of remuneration for each Director (£000) (Audited) Table 43

	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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Executive Directors																
Robert Noel	**711**	694	**20**	22	**178**	173	**355**	347	**653**	389	**1,917**	1,625	**2,768**	649	**4,685**	2,274
Martin Greenslade	**481**	469	**19**	20	**120**	117	**241**	235	**441**	258	**1,302**	1,099	**1,873**	671	**3,175**	1,770

1. Basic salary is stated as per annum figure. Actual salaries in the year were £708,050 (Robert Noel), £478,975 (Martin Greenslade).
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 allowance of 25% of base salary.
4. The long-term incentives for 2014/15 have been calculated using a share price of £12.48 (which is the three-month average to 31 March 2015). The long-term incentives vesting in 2013/14 were estimated in last year's report and so have been adjusted to reflect the actual share price on the date of vesting. The impact of the adjustment was £2,000 for both Robert Noel and Martin Greenslade.

Single total figure of remuneration for each Director (£000) continued (Audited) Table 44

	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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Non-executives Directors																
Dame Alison Carnwath	**350**	325	**–**	–	**–**	–	**–**	–	**–**	–	**350**	325	**–**	–	**350**	325
David Rough[5]	**23**	64	**–**	–	**–**	–	**–**	–	**–**	–	**23**	64	**–**	–	**23**	64
Kevin O'Byrne	**95**	91	**–**	–	**–**	–	**–**	–	**–**	–	**95**	91	**–**	–	**95**	91
Chris Bartram	**68**	64	**–**	–	**–**	–	**–**	–	**–**	–	**68**	64	**–**	–	**68**	64
Simon Palley	**80**	76	**–**	–	**–**	–	**–**	–	**–**	–	**80**	76	**–**	–	**80**	76
Stacey Rauch	**68**	64	**–**	–	**–**	–	**–**	–	**–**	–	**68**	64	**–**	–	**68**	64
Edward Bonham Carter	**68**	17	**–**	–	**–**	–	**–**	–	**–**	–	**68**	17	**–**	–	**68**	17
Cressida Hogg	**68**	17	**–**	–	**–**	–	**–**	–	**–**	–	**68**	17	**–**	–	**68**	17

5. David Rough stepped down from the Board in July 2014.

3.2 Annual bonus outturn

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.

Annual bonus outturn (Unaudited) Table 45

Target	% of base salary (maximum)	Assessment	% of base salary awarded
Ungeared Total Property Return.	39.0	• The adjusted Land Securities Total Property Return[1] for the year (23.3%) exceeded that of the IPD benchmark by 3.1%.	39.0
Share in long-term real growth in Group revenue profit.	c.39.0	• Revenue profit for the year (£329.1m) significantly exceeded the base level of £258.9m (last year's threshold of £251.3m increased by 3% inflation). After certain adjustments, 5% of the resulting excess profit of £70.2m (£3.51m) has been contributed to the bonus pool. Under the terms of the current plan, there is no upper cap on the outperformance, and the outturn exceeds the maximum shown. However, this year, in the context of a strong all-round performance, the Committee determined that a cap should be placed on this element of the plan, and therefore it paid out at the maximum level of 39.0% of base salary.	39.0
Key business targets			
Development, refurbishment and conditional lettings.	31.2	• The outturn is calculated on the basis of a threshold target of £28.6m. Achievement is calculated on a straight-line basis from threshold to the maximum target (£43.5m of development lettings) • The Group secured relevant lettings for the year of £47.6m.	31.2
Planning milestones were set for five specific London and Retail assets.	10.4	• The outturn is calculated on the basis of a threshold target of three out of five milestones achieved, with the maximum at five out of five. The milestones were achieved for four out of five of the assets specified, and therefore 50% of the award is payable.	5.2
Community Employment Programmes – a target was set to secure permanent employment for 125 candidates on the London training programme, and expand the programme to suitable developments in Retail.	5.2	• Employment was secured for 157 candidates on the London programme and the programme was expanded to the Retail development at Westgate, Oxford. Nine positions were also secured as a result of the partnership with Mencap.	5.2
Management of the secured lending pool – the target was to improve the geographical concentration limits within our secured lending pool for London assets to at least 80%.	5.2	• The London geographical concentration was increased to 100% of the secured lending pool, building in more flexibility for the future.	5.2
		Total Group Elements	**124.8**
Executive Director individual targets			
Each Director received a number of individual targets, which included: • The articulation of a new vision and purpose for the Group • The embedding of the new Executive Committee as a high performing team • Putting in place a new revolving credit facility.	20.0	Each Executive Director was 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	17.0
		• Martin Greenslade	17.0
TOTAL	150.0	Robert Noel	**141.8**
		Martin Greenslade	**141.8**

1. The outturn is adjusted to take account of the performance of trading properties and the capital and income extracted from Queen Anne's Gate, SW1, through a bond issue in 2009.

3.3 Long-Term Incentive Plan and Matching Share Plan outturns

The table below summarises how we have assessed our LTIP performance over the three year financial period 1 April 2012 to 31 March 2015. Awards under the LTIP for this period are subject to performance conditions that measure and compare the Group's relative performance against its peers in terms of Total Property Return (TPR) and Total Shareholder Return (TSR), with each measure representing 50% of the total award. Please see table 30 for more detail on how vesting levels are determined.

The performance calculation for awards granted in 2012 and vesting in 2015 are illustrated below:

Long-Term Incentive Plan and Matching Share Plan outturns (Unaudited) Table 46

Target	% of base salary (maximum)	Assessment	Outturn % of maximum
Ungeared Total Property Return	75 + 75 (maximum shares pledged).	• The Land Securities Total Property Return[1] outperformed that of the sector weighted IPD Quarterly Universe by 1.0% per annum over the three year period. Therefore, the maximum 50% of the total award vests.	50
Total Shareholder Return	75 + 75 (maximum shares pledged).	• The Land Securities Total Shareholder Return over the three year period was 93.5%, outperforming that of the comparator group (see below), which was 86.6%. On a per annum basis, this equates to 2.3% and therefore 34.7% (maximum 50%) of the total award vests.	34.7

1. 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.

In total, therefore, awards made in 2012, and measured over the three year period to 31 March 2015, will vest in July 2015 at 84.7% of the maximum.

For awards granted in 2013, the Group's performance over the two years to 31 March 2015 would, if sustained over the three year period to 31 March 2016, result in 62.3% of the LTIP (and MSP) share awards vesting. For awards granted in 2014, performance over the one year period to 31 March 2015 would, if sustained over the second and third years of the period to 31 March 2017, result in 50% of the LTIP (and MSP) share awards vesting.

Total Shareholder Return – comparator groups (Unaudited) Table 47

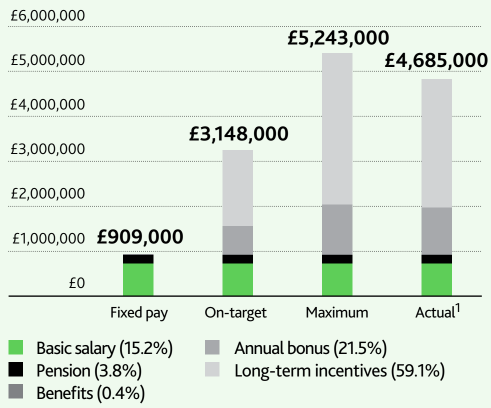
	Year of grant			
Name	2012	2013	2014	2015[1]
Big Yellow Group PLC	✓	✓	✓	✓
Capital & Counties Properties PLC	✓	✓	✓	✓
Daejan Holdings PLC	✓	✓	✓	✓
Derwent London PLC	✓	✓	✓	✓
F&C Commercial Property Trust Limited	✓	✓	✓	✓
Grainger PLC	✓	✓	✓	✓
Great Portland Estates PLC	✓	✓	✓	✓
Hammerson PLC	✓	✓	✓	✓
Hansteen Holdings PLC	✓	✓	✓	✓
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	✓	✓	✓	✓
The British Land Company PLC	✓	✓	✓	✓
UK Commercial Property Trust Limited	✓	✓	✓	✓
UNITE Group PLC		✓	✓	✓
Workspace Group PLC		✓	✓	✓
CLS Holdings				✓
Kennedy Wilson Europe PLC				✓
Redefine International REIT PLC				✓

1. As proposed to apply for awards made under the new LTIP (subject to shareholders' approval).

3. Remuneration outcomes for Directors during the year continued

3.4 Individual outcomes by Director

Robert Noel
Chief Executive
Chart 48



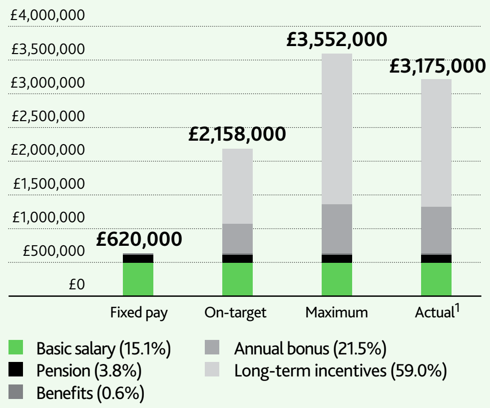
1. Percentages are of the actual.

(Unaudited) Table 49

Element of pay	Maximum potential (£000)	Percentage of maximum achieved (%)	Outturn (£000)
Base salary	711	n/a	711
Pension	178	n/a	178
Benefits	20	n/a	20
Annual bonus[1]			
– Group element	924	96.0	887
– Individual element	142	85.0	121
Long-term incentives[2]	3,268	84.7	2,768
Total	**5,243**		**4,685**

1. £355,470 of the annual bonus will be deferred into shares for one year and £297,060 for two years.
2. Value calculated on basis of average share price for the three months to 31 March 2015 - £12.48.

Martin Greenslade
Chief Financial Officer
Chart 50



1. Percentages are of the actual.

(Unaudited) Table 51

Element of pay	Maximum potential (£000)	Percentage of maximum achieved (%)	Outturn (£000)
Base salary	481	n/a	481
Pension	120	n/a	120
Benefits	19	n/a	19
Annual bonus[1]			
– Group element	625	96.0	600
– Individual element	96	85.0	82
Long-term incentives[2]	2,211	84.7	1,873
Total	**3,552**		**3,175**

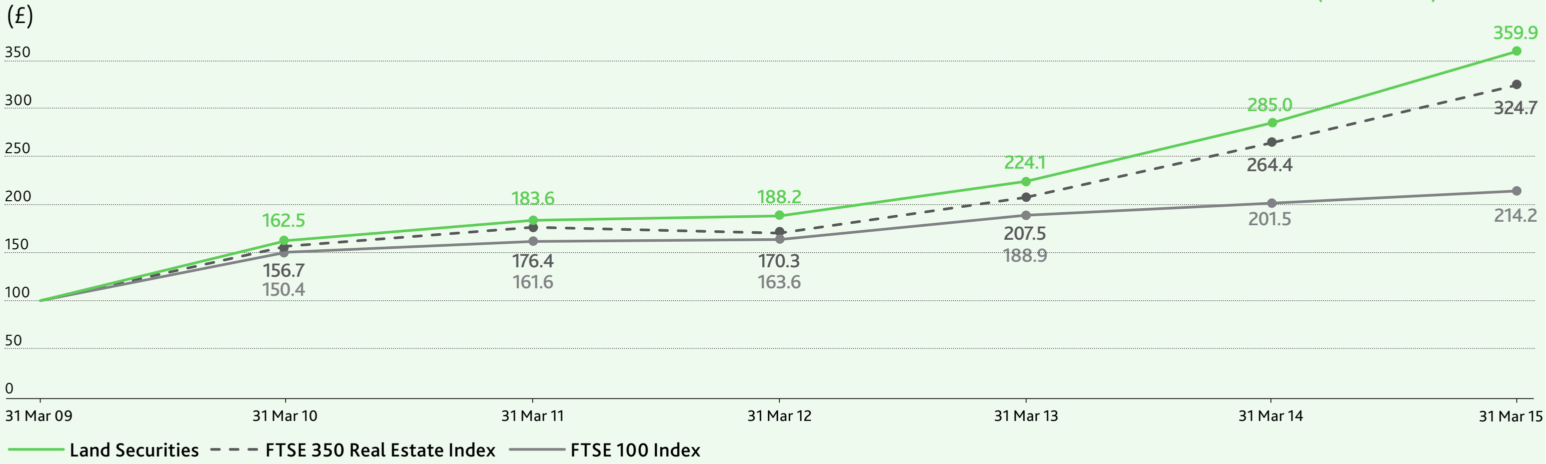
1. £240,465 of the annual bonus will be deferred into shares for one year and £201,029 for two years.
2. Value calculated on basis of average share price for the three months to 31 March 2015 - £12.48.

4. Comparison of CEO pay to Total Shareholder Return

The following graph illustrates the performance of the Company measured by Total Shareholder Return (share price growth plus dividends paid) against a 'broad equity market index' over a period of six 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 six years is also included.

Below 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.

Total Shareholder Return (Unaudited) Chart 52



This graph shows the value, by 31 March 2015, 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

Chief Executive's remuneration over six years (Unaudited) Table 53

Year	Chief Executive Officer	Single figure of total remuneration (£000)	Annual bonus award against maximum opportunity[1] (%)	Long-term incentive vesting against amount awarded (%)
2015	Robert Noel	4,685	94.5	84.7
2014	Robert Noel	2,274	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 were 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 management

During the year under review, bonuses (including discretionary bonuses) for our 20 most senior employees ranged from 40% to 166% of salary (2014: 43% to 102%). The average bonus was 93% of salary (2014: 71%). The LTIP awards made to senior management 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 3.0%. Including salary adjustments and promotions for employees below the Board, this rose to 3.5%. The ratio of the salary of the Chief Executive to the average salary across the Group (excluding Directors) was 12:1 (£710,940:£59,670).

Pay across the Group (Unaudited) Table 54

% Change	Salary (%)	Benefits (%)	Bonus (%)
Chief Executive	6	No change	37
Average employee	3	No change	23

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 55

Metric	March 2015 (£m)	March 2014 (£m)	Change (%)
Spend on pay[1]	58.1	55.1	5.5
Dividend[2]	247.0	236.5	4.4

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 Company's long-term incentive arrangements, which cover those made under the LTIP, MSP, Deferred Bonus Plan and the Executive Share Option Plan are satisfied through the funding of an Employee Benefit Trust (administered by an external trustee) which acquires existing Land Securities shares in the market. The Employee Benefit Trust held 1,012,983 shares at 31 March 2015.

The exercise of share options under the Savings Related Share Option Scheme, which is open to all employees who have completed more than one month's service with the Group, is satisfied by the allotment of newly issued shares. At 31 March 2015, the total number of shares which could be allotted under this scheme was 441,560 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 during the year were Dame Alison Carnwath, Chris Bartram and Edward Bonham Carter. The Committee meetings were also attended by the Group Chief Executive, the Group Human Resources Director, and the Group 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 Company Secretary and the Group Human Resources 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 £129,000 in connection with its work for the Committee. The Committee also received legal advice from Freshfields Bruckhaus Deringer in relation to various share plan matters and they received fees of £36,000 for their services during the year.

8. Results of the vote on the Directors' Remuneration Report at the Land Securities AGM for 2014

The votes cast on the resolutions seeking approval for the Directors' Remuneration Report at our 2014 AGM were as follows:

Resolution	% of votes For	% of votes Against	Number of votes Withheld[1]
To approve the Policy Report forming the first part of the Directors' Remuneration Report for the year ended 31 March 2014	99.05	0.95	955,981
To approve the Annual Report on Remuneration forming the second and final part of the Directors' Remuneration Report for the year ended 31 March 2014	99.67	0.33	959,720

1. A vote withheld is not a vote at law.

The Remuneration Report was approved by the Board of Directors on 18 May 2015.

Simon Palley
Chairman, Remuneration Committee

REPORT OF THE DIRECTORS

The Directors present their report together with the audited accounts for the year ended 31 March 2015.

As permitted by legislation, some of the matters normally included in this report have instead been included in the Strategic Report on pages 6 to 36 as the Board considers them to be of strategic importance. Specifically, these relate to the Company's business model and strategy, future business developments and risk management. The Governance report on pages 37 to 78 is incorporated in this report by reference.

Company status

Land Securities Group PLC is a public limited liability company. It holds a premium listing on the London Stock Exchange main market for listed securities (LON:LAND) and is a constituent member of the FTSE 100 Index. The Company is a Real Estate Investment Trust (REIT). It is expected that the Company, which has no branches, will continue to operate as the holding company of the Group.

Board membership

The membership of the current Board and biographical details of the Directors are given on pages 40 and 41. David Rough stepped down from the Board on 18 July 2014.

The Service Agreements of the Executive Directors and the Letters of Appointment of the Non-executive Directors are available for inspection at the Company's registered office. Brief details are also included in the Directors' Remuneration Report on pages 58 to 78.

Appointment and removal of Directors

The appointment and replacement of Directors is governed by the Company's Articles of Association (Articles), the UK Corporate Governance Code (Code), the Companies Act 2006 (Act) and related legislation. The Board may appoint a Director either to fill a casual vacancy or as an addition to the Board so long as the total number of Directors does not exceed the limit prescribed in the Articles. An appointed Director must retire and seek election to office at the next AGM of the Company. In addition to any power of removal conferred by the Act, the Company may by ordinary resolution remove any Director before the expiry 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. In line with the Code's recommendations and the Board's policy, all Directors are required to stand for re-election at each AGM.

Directors' powers

The Board manages the business of the Company under the powers set out in the Articles. These powers include the Directors' ability to issue or buy back shares. Shareholders' authority to empower the Directors to make market purchases of up to 10% of its own ordinary shares is sought at the AGM each year. The Articles can only be amended, or new Articles adopted, by a resolution passed by shareholders in general meeting by at least three-quarters of the votes cast.

Directors' interests

Details of Directors' interests in the ordinary shares of the Company, including those that derive from their employment, are set out in the Directors' Remuneration Report on pages 58 to 78.

Save as disclosed in the Directors' Remuneration Report, none of the Directors, nor any person connected with them, has any interest in the share or loan capital of the Company or any of its subsidiaries. At no time during the year ended 31 March 2015 did any Director hold a material interest, directly or indirectly, in any contract of significance with the Company or any subsidiary undertaking other than the Executive Directors in relation to their Service Agreements.

Directors' indemnities and insurance

The Company has agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. 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 will be available at the 2015 AGM. The Company has in place appropriate Directors & Officers Liability insurance cover in respect of potential legal action against its Directors.

Share capital

The Company has a single class of share capital which is divided into ordinary shares of nominal value 10 pence each, all ranking pari passu. No other securities have been issued by the Company. At 31 March 2015, there were 801,032,763 ordinary shares in issue and fully paid. Further details relating to share capital, including movements during the year, are set out in note 36 to the financial statements.

At the Company's Annual General Meeting (AGM) held on 18 July 2014, 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 will expire at the 2015 AGM (see below) and a renewal will be sought.

The Company did not purchase any of its ordinary shares during the year and hence the number of ordinary shares held in treasury at 31 March 2015 remained unchanged at 10,495,131.

The Company's offshore discretionary Employee Benefit Trust (EBT) is used to purchase Land Securities shares in the market on behalf of the Company for the benefit of employees, including for satisfying outstanding awards made under its employee share plans. The EBT has waived its entitlement to receive all dividends paid by the Company on shares held in the EBT. As at 31 March 2015, there were 1,012,983 shares held in the EBT with 1,069,330 shares having been released from it during the year to satisfy vested awards under the Company's employee share plans. Further details regarding the EBT, and of shares issued pursuant to the Company's various employee share plans during the year, are set out in note 36 to the financial statements.

Substantial shareholders

As at 12 May 2015, the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following holdings of voting rights in its issued shared capital:

Shareholders holding 3% or more of the Company's issued share capital — Table 56

Shareholder name	Number of ordinary shares	% of total voting rights attaching to issued share capital
BlackRock, Inc.	72,444,546	9.2
Norges Bank	46,089,481	5.8
APG Asset Management N.V.	27,224,112	3.4

* Total voting rights attaching to the issued share capital of the Company comprised 790,544,038 ordinary shares.

The above shareholder levels are unchanged from 31 March 2015.

Voting rights and restrictions on transfer of shares

All of the issued and outstanding ordinary shares of the Company have equal voting rights, with one vote per share. There are no special control rights attaching to them save that the control rights of ordinary shares held in the EBT can be directed by the Company to satisfy the vesting of outstanding awards under its various employee share plans. In relation to the EBT and any unallocated Company shares held in it, the power to vote or not vote is at the absolute discretion of the trustee. The Company is not aware of any agreements or control rights between existing shareholders that may result in restrictions on the transfer of securities or on voting rights.

The rights, including full details relating to voting of shareholders and any restrictions on transfer relating to the Company's ordinary shares, are set out in the Articles and in the explanatory notes that accompany the Notice of the 2015 AGM. These documents are available on the Company's website at www.landsecurities.com.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. None of these are considered significant. The Company's share plans contain provisions that take effect in such an event 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 plan. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover bid.

Going concern

The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This confirmation is made after having reviewed assumptions about future trading performance, valuation projections, capital expenditure, asset sales and debt requirements contained within the Group's current five-year plan. The Directors also considered potential risks and uncertainties, in the business, credit, market and liquidity risk, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Based on the above, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 31 March 2015.

Equal opportunities

Land Securities is an equal opportunities employer and our range of employment policies and guidelines reflects legal and employment requirements in the UK and safeguards the interests of employees, potential employees and other workers. We do not condone unfair treatment of any kind and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religious or political beliefs.

The Company 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. The Company has therefore 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 disability by making adjustments to their existing employment, or by redeployment and providing appropriate retraining to enable continued employment with the Group.

Information regarding the Company's safeguarding of human rights forms part of the 'Our people strategy' section on page 19.

Greenhouse gas emissions

Reporting framework

Disclosures concerning greenhouse gas emissions (GHG) became mandatory under the Act last year. As well as fulfilling its mandatory carbon reporting requirements, the Company is committed to EPRA Best Practice Recommendations for Sustainability reporting, and also to making further disclosures as recommended by DEFRA Environmental Reporting Guidance 2013 and the Greenhouse Gas Protocol. The date we report relates to all our properties over which we have management control.

A detailed description of our methodology can be found at www.landsecurities.com/sustainability.

Absolute performance

In order to satisfy the mandatory carbon reporting requirements, we report our absolute Scope 1* and 2* emissions and their intensity based on floor area. We also voluntarily report the Scope 3* emissions that are material to our business and can be reliably measured, for example, where we supply the energy to customers' demises.

As illustrated in chart 57, total Scope 1 and 2 tCO_2e emissions have risen by 17% since last year, which is primarily due to changes to the conversion factors issued by DEFRA** for use in our 2014/15 financial year, as well as an increase in the size of our portfolio. However, the increased floor area has offset the increase in emissions to give a 3% reduction in Scope 1 and 2 emissions intensity.

Scope 3 emissions have increased marginally, up 1%. This increase, which is mainly related to the carbon associated with demised customer energy within our assets, is due to the change in conversion factors caused by a more carbon intensive UK fuel mix.

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

While 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 on page 147. We achieved our 2020 target at the end of last year and have therefore rebased our new 2020 targets from a 2014 starting point.

Scope 1 and 2 mandatory reporting — Table 57

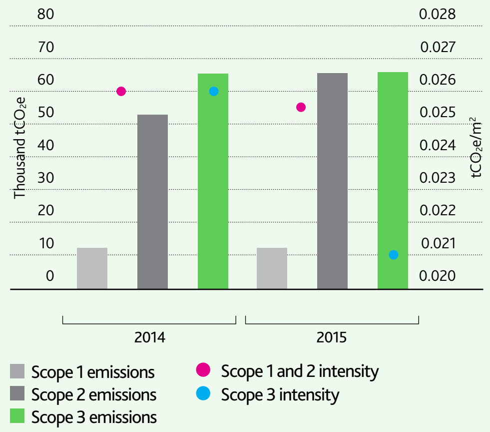
	2014***	2015
Emissions		
Scope 1 tCO_2e	13,047	**13,926**
Scope 2 tCO_2e	53,355	**64,095**
	66,402	**78,020**
Intensity		
Scope 1 and 2 tCO_2e/m^2	0.026	**0.026**
$kgCO_2e/m^2$	26.25	**25.53**

Scope 3 voluntary reporting

	2014***	2015
Emissions		
Scope 3 tCO_2e	64,954	**65,602**
Intensity		
Scope 3 tCO_2e/m^2	0.026	**0.021**

* Scope definitions:
Scope 1: Covers direct GHG emissions from controlled operations such as combustion in owned boilers.
Scope 2: Covers indirect GHG emissions from the use of purchased electricity, heat or steam.
Scope 3: Covers other indirect emissions, such as business travel, waste management and water.
** When calculated using DEFRA 2013–14 conversion factors, our Scope 1 and 2 tCO_2e emissions have increased by 6% whilst the emissions intensity has decreased by 13%. Scope 3 tCO_2e emissions have decreased by 8%.
*** 2014 figures have been restated where material changes were identified.

Scope 1, 2 and 3 emissions and intensity across the absolute portfolio in 2014 and 2015 — Chart 58



You will find more on our carbon reporting, and on our corporate responsibility activity generally, in our 2015 Sustainability Report which can be found at www.landsecurities.com/sustainability.

Additional disclosures

Additional information that is relevant to this report, and which is incorporated by reference into this report, including information required in accordance with the UK Companies Act 2006 and Listing Rule 9.8.4R, can be located as follows:

Table 59

Credit, market and liquidity risks	pages 10–11
Employee involvement and engagement	pages 19–21
Capitalised interest	page 106
Financial instruments	page 120
Related party transactions	page 132

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.

A resolution to confirm the reappointment of Ernst & Young LLP as auditor of the Company will be proposed at the 2015 AGM. The confirmation has been recommended to the Board by its Audit Committee and Ernst & Young LLP have indicated their willingness to remain in office.

2015 Annual General Meeting

This year's AGM will be held at 11.00am on Thursday, 23 July 2015 at the QEII Centre, Broad Sanctuary, Westminster, London SW1P 3EE. A separate circular, comprising a letter from the Chairman, Notice of Meeting and explanatory notes in respect of the resolutions proposed, accompanies this Annual Report.

The Report of the Directors was approved by the Board on 18 May 2015.

By Order of the Board

Michael Arnaouti
Group 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 86

BALANCE SHEETS

The Group's balance sheets at 31 March 2015.

For more information go to:
page 87

NOTES

Accounting policies, segmental information and other helpful guidance.

For more information go to:
pages 91–136

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 (IFRSs) as adopted by the European Union. Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and 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 has complied with IFRSs as adopted by the European Union, 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;
- 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 complies 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 as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- to the best of their knowledge, the Company financial statements, prepared in accordance with IFRSs as adopted by the EU, 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 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's 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*
Chris Bartram*
Simon Palley*
Stacey Rauch*
Edward Bonham Carter*
Cressida Hogg CBE*

*Non-executive Directors

The Statement of Directors' Responsibilities was approved by the Board of Directors on 18 May 2015 and signed on its behalf by:

Michael Arnaouti
Group Company Secretary

INDEPENDENT AUDITOR'S REPORT

to the members of Land Securities Group PLC

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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS 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.

What we have audited

We have audited the financial statements of Land Securities Group PLC for the year ended 31 March 2015 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Cash Flow, the Group and Company Statements of Changes in Equity and the related notes 1 to 43. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 Directors' Responsibilities Statement set out on page 82, 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 the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report 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.

Our assessment of risk of material misstatement and response to that risk

The table below shows the risks we identified 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, together with our audit response to the risk.

This year we have included accounting for complex acquisitions and disposals and consideration of transaction arrangements as a risk of material misstatement given that a number of such transactions have taken place in the financial year.

Last year we included the risk of management override of internal controls as a risk of material misstatement; this year we have excluded this separate risk given that, in our view, the risk of management override relates specifically to the risks of material misstatement in relation to the valuation of the investment property portfolio and revenue recognition as set out in the table below.

Our assessment of risk of material misstatement and response to that risk Table 60

Risk	How the scope of our audit addressed the risk
The valuation of the investment property portfolio (as described on page 53 of the Report of the Audit Committee and note 15 of the financial statements). The valuation of investment property (including properties within the development programme and investment properties held in joint ventures) requires significant judgement and estimates by management and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the income statement and balance sheet. There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets.	Our audit procedures around the valuation of investment property included: We evaluated the Group's controls over data used in the valuation of the investment property portfolio and management's review of the valuations. We performed testing over source documentation provided by the Group to the external valuers. This included agreeing a sample of this documentation back to underlying lease data and vouching costs incurred to date data provided in respect of development properties as well as assessing the costs to complete information. We included Chartered Surveyors on our audit team who reviewed and challenged the valuations for a sample of properties. Together we met with the external valuers to assess and challenge the valuation approach and assumptions (such as in respect of estimated rental value, yield profile and other assumptions that impact the value such as development costs to complete) and we considered the external valuers' qualifications. We assessed management's review of investment valuations and we attended meetings between management and the external valuers to assess for evidence of management influence and we obtained a confirmation from the external valuers that they had not been subject to influence from management. In order to assess for evidence of management influence, in conjunction with our Chartered Surveyors, we performed a comparison of the assumptions (such as in respect of estimated rental value and yields), used by the external valuers to our knowledge of the property market and other external data. We performed site visits accompanied by our Chartered Surveyors for a sample of properties (focusing primarily on development properties) which enabled us to assess the stage of completion of, and gain specific insights into, these developments. We met with project managers for major properties under development and assessed project costs, progress of development and leasing status and verified the forecast costs to complete included in the valuations as well as identified contingencies, exposures and remaining risks. We corroborated the information provided by the project managers through valuation review, site visits and cost analysis. We conducted detailed 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

Our assessment of risk of material misstatement and response to that risk continued

Table 60

Risk	How the scope of our audit addressed the risk
Revenue recognition, including the timing of revenue recognition, the treatment of rents incentives and other property related revenue (as described on page 53 of the Report of the Audit Committee and note 5 of the financial statements). Market expectations and revenue profit based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.	Our audit procedures around revenue recognition included: We carried out testing relating to controls over revenue recognition, the treatment of rents and other property related income to assess the controls to prevent and detect fraud and errors in revenue recognition. This included testing the controls governing approvals and changes to lease terms and the upload of this information to the Group's property information management system. We also performed controls testing on the billings process. Detailed analytical procedures were performed in connection with revenue (including rents, incentives and other property related revenue) to assess whether revenue had been recognised in the appropriate accounting period. We performed detailed testing for a sample of revenue transactions by agreeing them back to lease agreements. This included focusing upon incentives included within lease agreements and we critically assessed whether the appropriate accounting treatment had been followed. We agreed a sample of lease agreements to the spreadsheets used to calculate straight-lining of revenue in accordance with SIC 15 Operating Lease - Incentives and corroborated the arithmetical accuracy of these spreadsheets and the resulting amounts in revenue for straight-lining of incentives. We challenged the assessment of recoverability of the tenant lease incentive receivable balance by evaluating the financial viability of the major tenants with related lease incentive debtors. We assessed whether the revenue recognition policies adopted complied with IFRSs as adopted by the European Union. We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing, which included particular focus on journal entries which impact revenue, and applying particular professional scepticism to revenue transactions.
Accounting for complex acquisitions and disposals and consideration of transaction arrangements (as described on page 53 of the Report of the Audit Committee and notes 41 and 42 of the financial statements). The Group made a number of significant acquisitions and disposals during the year. The contractual arrangements for such transactions can be complex and require management to apply judgement in determining whether a transaction represents an acquisition of an asset or a business combination. There is a risk that the estimates and judgements made in the recognition of an acquisition as a business combination may be inappropriate and the valuation of the assets and liabilities acquired may be misstated. Furthermore, there is a risk that property disposals may be recognised before the significant risks and returns of ownership have been transferred to the buyer.	Our audit procedures around accounting for acquisitions and disposals and consideration of transaction arrangements included: We obtained and reviewed the sale and purchase agreements entered into for the property transactions which took place in the year. We assessed the judgements applied in determining whether acquisitions in the year represented an acquisition of an asset or a business combination. This involved assessing whether or not the entities and the assets acquired constitute the carrying on of a business, i.e. whether there are inputs and processes applied to those inputs that have the ability to create outputs. Where transactions met the definition of a business combination we audited the Group's assessment of the assets and liabilities acquired and the allocation of the purchase consideration to these and the resultant goodwill or gain on bargain purchase recognised. We obtained and reviewed the due diligence report prepared for the Bluewater transaction which was the most significant transaction in the year. As the Bluewater transaction involved the Group acquiring the management contract for the shopping centre, we involved internal valuations experts to help us audit the valuation of the asset management contract for Bluewater which included challenging the assumptions used by management in the valuation. Where the Group had recognised a disposal in the year we assessed whether the significant risks and rewards of ownership had been transferred to the buyer as at the date upon which the sale was recognised. We assessed the accounting for the transactions to verify that they were accounted for and, where appropriate, disclosed in the financial statements in accordance with IFRSs as adopted by the European Union.

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.

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied on our audit.

Application of materiality

Table 61

	Basis	Materiality	Performance materiality	Audit differences
Overall	0.5% of carrying value of investment properties, < 1% of equity	£61.0m (2014: £50.0m)	£46.0m (2014: £25.0m)	£3.0m (2014: £2.5m)
Account balances not related to investment properties (either wholly owned or held within joint ventures)	Profit before tax, excluding the impact of the net surplus on revaluation of investment properties either wholly owned or held within joint ventures (Adjusted PBT)	£19.0m (2014: £18.0m)	£14.0m (2014: £9.0m)	£0.9m (2014: £0.9m)

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 that the carrying value of investment property would be the most appropriate basis for determining overall materiality given that the Group's investment property balance accounts for around 82% of the Group's total assets and the fact that key users of the Group's financial statements are primarily focused on the valuation of the investment property portfolio. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. 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 (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2014: 50%) of materiality. Our objective in adopting this approach is to confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole. The increase in overall performance materiality compared to 2014 is due to our expectation, based on our prior year experience, that it is unlikely misstatements will exceed 25% of planning materiality, and due to the fact that as the prior year audit was our initial audit we had to set performance materiality at 50% of materiality.

We have determined that for other account balances not related to investment properties (either wholly owned or held within joint ventures) 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 either wholly owned or held within joint ventures ('Adjusted PBT'). We set performance materiality for these balances at 75% (2014: 50%) of this lower level of materiality. The increase in performance materiality for these balances compared to 2014 is due to our expectation, based on our prior year experience, that it is unlikely misstatements will exceed 25% of this lower level of materiality for these balances, and due to the fact that as last year was our initial audit we had to set performance materiality at 50% of materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £3.0 million, as well as audit differences in excess of £0.9 million 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. Therefore, the whole Group was subject to a full audit.

The Group audit team performed all the work necessary to issue the Group and parent company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified above.

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 ISAs (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 returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 82, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Ernst & Young LLP

Eamonn McGrath (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
18 May 2015

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

INCOME STATEMENT

for the year ended 31 March 2015

		Year ended 31 March 2015			Year ended 31 March 2014		
	Notes	Revenue profit £m	Capital and other items £m	Total £m	Revenue profit £m	Capital and other items £m	Total £m
Revenue	5	**711.2**	**59.2**	**770.4**	693.4	23.1	716.5
Costs	6	**(258.7)**	**(47.9)**	**(306.6)**	(240.5)	(12.8)	(253.3)
		452.5	**11.3**	**463.8**	452.9	10.3	463.2
Profit on disposal of investment properties	4	**–**	**107.1**	**107.1**	–	15.6	15.6
Profit on disposal of investments in joint ventures	4	**–**	**3.3**	**3.3**	–	2.5	2.5
Net surplus on revaluation of investment properties	15	**–**	**1,770.6**	**1,770.6**	–	606.6	606.6
Release of impairment of trading properties	17	**–**	**1.9**	**1.9**	–	5.3	5.3
Operating profit		**452.5**	**1,894.2**	**2,346.7**	452.9	640.3	1,093.2
Share of post-tax profit from joint ventures	16	**32.0**	**293.8**	**325.8**	34.7	160.8	195.5
Interest income	9	**29.4**	**–**	**29.4**	25.2	12.5	37.7
Interest expense	9	**(184.8)**	**(64.6)**	**(249.4)**	(193.2)	(23.7)	(216.9)
Revaluation of redemption liabilities	33	**–**	**(8.5)**	**(8.5)**	–	(5.6)	(5.6)
Net gain on business combination	41	**–**	**2.2**	**2.2**	–	5.0	5.0
Impairment of goodwill	41	**–**	**(29.7)**	**(29.7)**	–	–	–
Profit before tax		**329.1**	**2,087.4**	**2,416.5**	319.6	789.3	1,108.9
Taxation	13	**–**	**0.3**	**0.3**	–	7.7	7.7
Profit for the financial year attributable to owners of the parent		**329.1**	**2,087.7**	**2,416.8**	319.6	797.0	1,116.6
Earnings per share attributable to owners of the parent (pence):							
Basic earnings per share	11			**306.1**			142.3
Diluted earnings per share	11			**304.7**			141.8

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2015

	Notes	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Profit for the financial year attributable to owners of the parent		**2,416.8**	1,116.6
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	**(1.7)**	3.5
Items that will not be subsequently reclassified to the income statement:			
Re-measurement gain/(losses) on defined benefit pension scheme	34	**3.7**	(7.8)
Deferred tax on re-measurement gain on defined benefit pension scheme		**(1.5)**	–
Other comprehensive income for the financial year attributable to owners of the parent		**0.5**	(4.3)
Total comprehensive income for the financial year attributable to owners of the parent		**2,417.3**	1,112.3

BALANCE SHEETS

at 31 March 2015

	Notes	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Non-current assets					
Investment properties	15	**12,158.0**	9,847.7	**–**	–
Intangible assets	41	**34.7**	–	**–**	–
Other property, plant and equipment	20	**9.6**	7.3	**–**	–
Net investment in finance leases	19	**185.1**	186.9	**–**	–
Loan investment	31	**49.5**	50.0	**–**	–
Investments in joint ventures	16	**1,433.5**	1,443.3	**–**	–
Investments in subsidiary undertakings	32	**–**	–	**6,192.2**	6,186.2
Other investments		**12.8**	–	**–**	–
Trade and other receivables	28	**54.0**	34.3	**–**	–
Derivative financial instruments	25	**–**	5.3	**–**	–
Pension surplus	34	**7.0**	2.3	**–**	–
Total non-current assets		**13,944.2**	11,577.1	**6,192.2**	6,186.2
Current assets					
Trading properties and long-term development contracts	17	**222.3**	192.9	**–**	–
Trade and other receivables	28	**402.7**	366.3	**14.8**	14.2
Monies held in restricted accounts and deposits	23	**10.4**	14.5	**–**	–
Cash and cash equivalents	24	**14.3**	20.9	**0.1**	0.1
Total current assets		**649.7**	594.6	**14.9**	14.3
Non-current assets held for sale	42	**283.4**	–	**–**	–
Total assets		**14,877.3**	12,171.7	**6,207.1**	6,200.5
Current liabilities					
Borrowings	22	**(190.7)**	(513.2)	**–**	–
Trade and other payables	29	**(367.3)**	(319.5)	**(1,108.2)**	(823.7)
Provisions	30	**(2.6)**	(3.6)	**–**	–
Derivative financial instruments	25	**(3.8)**	(5.5)	**–**	–
Current tax liabilities		**(3.7)**	(2.9)	**–**	–
Total current liabilities		**(568.1)**	(844.7)	**(1,108.2)**	(823.7)
Non-current liabilities					
Borrowings	22	**(3,593.0)**	(2,849.0)	**–**	–
Trade and other payables	29	**(29.6)**	(23.6)	**–**	–
Derivative financial instruments	25	**(37.7)**	(3.5)	**–**	–
Redemption liabilities	33	**(35.3)**	(32.6)	**–**	–
Deferred tax	13	**(7.3)**	–	**–**	–
Total non-current liabilities		**(3,702.9)**	(2,908.7)	**–**	–
Total liabilities		**(4,271.0)**	(3,753.4)	**(1,108.2)**	(823.7)
Net assets		**10,606.3**	8,418.3	**5,098.9**	5,376.8
Equity					
Capital and reserves attributable to the owners of the parent					
Ordinary shares	36	**80.1**	79.9	**80.1**	79.9
Share premium		**789.4**	788.3	**789.4**	788.3
Capital redemption reserve		**30.5**	30.5	**30.5**	30.5
Merger reserve		**–**	–	**373.6**	373.6
Share-based payments		**8.7**	6.3	**8.7**	6.3
Retained earnings		**9,708.7**	7,522.5	**3,816.6**	4,098.2
Own shares	37	**(11.1)**	(9.2)	**–**	–
Total equity		**10,606.3**	8,418.3	**5,098.9**	5,376.8

The financial statements on pages 86 to 136 were approved by the Board of Directors on 18 May 2015 and were signed on its behalf by:

R M Noel **M F Greenslade**
Directors

Strategic report Governance Financial statements Additional information

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 equity £m
At 1 April 2013	79.2	787.6	30.5	6.8	6,590.3	(7.7)	7,486.7
Total comprehensive income for the year ended 31 March 2014	–	–	–	–	1,112.3	–	1,112.3
Transactions with owners:							
Exercise of options	–	1.4	–	–	–	–	1.4
Dividends to owners of the parent	0.7	(0.7)	–	–	(175.4)	–	(175.4)
Fair value of share-based payments	–	–	–	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
Acquisition of own shares and treasury shares	–	–	–	–	(0.4)	(16.3)	(16.7)
Total transactions with owners of the parent	0.7	0.7	–	(0.5)	(180.1)	(1.5)	(180.7)
At 31 March 2014	79.9	788.3	30.5	6.3	7,522.5	(9.2)	8,418.3
Total comprehensive income for the year ended 31 March 2015	**–**	**–**	**–**	**–**	**2,417.3**	**–**	**2,417.3**
Transactions with owners:							
Exercise of options	**–**	**1.3**	**–**	**–**	**–**	**–**	**1.3**
Dividends to owners of the parent	**0.2**	**(0.2)**	**–**	**–**	**(229.8)**	**–**	**(229.8)**
Fair value of share-based payments	**–**	**–**	**–**	**6.0**	**–**	**–**	**6.0**
Release on exercise of share options	**–**	**–**	**–**	**(3.6)**	**3.6**	**–**	**–**
Settlement and transfer of shares to employees on exercise of share options, net of proceeds	**–**	**–**	**–**	**–**	**(4.7)**	**9.9**	**5.2**
Acquisition of own shares	**–**	**–**	**–**	**–**	**(0.2)**	**(11.8)**	**(12.0)**
Total transactions with owners of the parent	**0.2**	**1.1**	**–**	**2.4**	**(231.1)**	**(1.9)**	**(229.3)**
At 31 March 2015	**80.1**	**789.4**	**30.5**	**8.7**	**9,708.7**	**(11.1)**	**10,606.3**

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 equity £m
At 1 April 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 of the parent	0.7	(0.7)	–	–	–	(175.4)	(175.4)
Fair value of share-based payments	–	–	–	–	5.5	–	5.5
Release on exercise of share options	–	–	–	–	(6.0)	6.0	–
Purchase of treasury shares	–	–	–	–	–	(0.3)	(0.3)
At 31 March 2014	79.9	788.3	30.5	373.6	6.3	4,098.2	5,376.8
Loss for the year ended 31 March 2015	**–**	**–**	**–**	**–**	**–**	**(55.4)**	**(55.4)**
Exercise of options	**–**	**1.3**	**–**	**–**	**–**	**–**	**1.3**
Dividends paid to owners of the parent	**0.2**	**(0.2)**	**–**	**–**	**–**	**(229.8)**	**(229.8)**
Fair value of share-based payments	**–**	**–**	**–**	**–**	**6.0**	**–**	**6.0**
Release on exercise of share options	**–**	**–**	**–**	**–**	**(3.6)**	**3.6**	**–**
At 31 March 2015	**80.1**	**789.4**	**30.5**	**373.6**	**8.7**	**3,816.6**	**5,098.9**

STATEMENT OF CASH FLOWS

for the year ended 31 March 2015

		Group		Company	
	Notes	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Cash flows from operating activities					
Net cash generated from operations	14	**447.5**	430.6	**–**	–
Interest received		**8.1**	9.1	**–**	–
Interest paid		**(198.3)**	(251.4)	**–**	–
Employer contributions to defined benefit pension scheme		**(1.9)**	(4.8)	**–**	–
Capital expenditure on trading properties		**(50.7)**	(32.7)	**–**	–
Disposal of trading properties		**28.8**	21.7	**–**	–
Corporation tax paid		**–**	(13.9)	**–**	–
Net cash inflow from operating activities		**233.5**	158.6	**–**	–
Cash flows from investing activities					
Investment property development expenditure		**(196.2)**	(86.6)	**–**	–
Acquisition of investment properties and other investments		**(105.7)**	(3.7)	**–**	–
Acquisitions treated as business combinations (net of cash acquired)		**(699.3)**	–	**–**	–
Other investment property related expenditure		**(74.1)**	(135.5)	**–**	–
Disposal of investment properties		**466.7**	679.1	**–**	–
Expenditure on non-property related non-current assets		**(4.4)**	(1.6)	**–**	–
Disposal of joint ventures		**275.2**	142.8	**–**	–
Cash contributed to joint ventures	16	**(16.7)**	(4.7)	**–**	–
Loan advances to joint ventures	16	**(153.9)**	(117.1)	**–**	–
Loan repayments by joint ventures	16	**37.0**	10.9	**–**	–
Distributions from joint ventures	16	**59.7**	27.4	**–**	–
Net cash (outflow)/inflow from investing activities		**(411.7)**	511.0	**–**	–
Cash flows from financing activities					
Cash received on issue of shares arising from exercise of share options		**6.5**	6.0	**–**	–
Purchase of own shares and treasury shares		**(12.0)**	(16.0)	**–**	–
Increase in investment in subsidiary undertaking (X-Leisure)		**–**	(119.7)	**–**	–
Proceeds from new loans (net of finance fees)	22	**419.9**	496.9	**–**	–
Repayment of loans	22	**(13.6)**	(911.3)	**–**	–
Recapitalisation of non-wholly owned subsidiary	33	**–**	15.0	**–**	–
Decrease in monies held in restricted accounts and deposits	23	**4.1**	16.4	**–**	–
Decrease in finance leases payable		**(1.4)**	(0.1)	**–**	–
Dividends paid to owners of the parent	12	**(229.4)**	(175.6)	**–**	–
Distributions paid by non-wholly owned subsidiaries	33	**(2.5)**	(2.0)	**–**	–
Net cash inflow/(outflow) from financing activities		**171.6**	(690.4)	**–**	–
Decrease in cash and cash equivalents for the year		**(6.6)**	(20.8)	**–**	–
Cash and cash equivalents at the beginning of the year		**20.9**	41.7	**0.1**	0.1
Cash and cash equivalents at the end of the year	24	**14.3**	20.9	**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 2015

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, derivative financial instruments and pension assets.

The preparation of financial statements in conformity with generally accepted accounting practice (GAAP) 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 £55.4m (2014: a loss of £47.7m). 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 2015 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 where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

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 year 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 arrangements are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint arrangements are accounted for as either a joint venture or a joint operation as permitted by IFRS 11 'Joint Arrangements'. A joint arrangement is accounted for as a joint venture when the Group, along with the other parties that have joint control of the arrangement, have rights to the net assets of the arrangement. Joint ventures are equity accounted in accordance with IAS 28 (revised). The equity method requires the Group's share of the joint venture's post-tax profit or loss for the year 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.

A joint arrangement is accounted for as a joint operation when the Group, along with the parties that have joint control of the arrangement, have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by including the Group's share of the assets, liabilities, income and expenses 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015 continued

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 valuation (note 15)
- Accounting for property acquisitions and disposals (note 15)
- Trading property valuation (note 17)

3. Amendments to IFRS standards

The following accounting standards or interpretations were effective for the financial year beginning 1 April 2014 and have been applied in preparing these financial statements to the extent they are relevant to the preparation of financial information:

- 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) 'Investments in Associates and Joint Ventures'
- IAS 32 (amendment) 'Financial instruments: Presentation' – Offsetting financial assets and financial liabilities
- IAS 36 (amendment) 'Impairment of Assets' – Recoverable amount disclosures for non-financial assets
- IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement' – Novation of derivatives and continuation of hedge accounting
- IFRIC 21 'Levies'

IFRS 10 outlines the requirements for the preparation of consolidated financial statements, requiring an entity to consolidate the results of all investees it is considered to control. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee. IFRS 11 replaced IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities – Non-monetary Contributions by Venturers'. IFRS 11 defines two types of joint arrangement (joint operations and joint ventures) and specifies the accounting for each arrangement. Joint operations must be accounted for by including the operator's share of the assets, liabilities, income and expenses on a line-by-line basis. Joint ventures are equity accounted in accordance with IAS 28 (revised). The option previously available under IAS 31 to account for jointly controlled entities using proportionate consolidation is no longer available. The adoption of IFRS 10 and IFRS 11 has not resulted in any changes to the Group's financial position or performance.

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. As a result of the adoption of IFRS 12 the Group has amended some of its disclosure in respect of joint arrangements.

None of the other standards above have impacted the Group's reporting.

The following accounting standards and interpretations which are relevant to the Group have been issued, but are not yet effective:

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

- IAS 19 'Defined benefit plans: employees contributions – amendments to IAS 19'

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

- IFRS 9 'Financial Instruments'
- IFRS 11 'Accounting for acquisitions of interests in joint operations – amendments to IFRS 11'
- IFRS 15 'Revenue from Contracts with Customers'
- IAS 1 'Disclosure initiative – amendments to IAS 1'

These standards and interpretations have not 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.

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 other columns provide additional information. This 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 internally by the Group to measure performance include the results of partly-owned 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 applies equity accounting to its interest in joint ventures, presenting its interest as one line on the income statement and balance sheet, and consolidating all subsidiaries at 100% with any non-owned element being adjusted as a non-controlling interest or redemption liability as appropriate. 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. The components of revenue profit are presented on a proportionate basis in note 4. Revenue profit is a non-GAAP measure.

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 (excluding central London shops), hotels and leisure assets and retail warehouse properties. 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 Executive Committee (ExecCom), which comprised the Executive Directors, the managing directors of the Retail and London portfolios, the Group General Counsel and Company Secretary, and the Group HR Director. The information presented to 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 (other than those relating to joint ventures) are not specific to a particular segment. Unallocated income and expenses (Group services) are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments.

The Group's financial performance is not impacted by seasonal fluctuations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015 continued

4. Segmental information continued

	Retail Portfolio			London Portfolio			Year ended 31 March 2015 Total		
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group[1] £m	Joint ventures £m	Total £m
Rental income	327.8	49.1	376.9	244.9	21.5	266.4	572.7	70.6	643.3
Finance lease interest	1.4	0.1	1.5	8.9	–	8.9	10.3	0.1	10.4
Gross rental income (before rents payable)	329.2	49.2	378.4	253.8	21.5	275.3	583.0	70.7	653.7
Rents payable[2]	(9.1)	(1.6)	(10.7)	(2.2)	–	(2.2)	(11.3)	(1.6)	(12.9)
Gross rental income (after rents payable)	320.1	47.6	367.7	251.6	21.5	273.1	571.7	69.1	640.8
Service charge income	49.6	7.1	56.7	40.1	2.6	42.7	89.7	9.7	99.4
Service charge expense	(51.6)	(7.9)	(59.5)	(39.0)	(3.1)	(42.1)	(90.6)	(11.0)	(101.6)
Net service charge (expense)/income	(2.0)	(0.8)	(2.8)	1.1	(0.5)	0.6	(0.9)	(1.3)	(2.2)
Other property related income	18.5	1.1	19.6	15.9	0.7	16.6	34.4	1.8	36.2
Direct property expenditure	(37.4)	(7.5)	(44.9)	(27.3)	(3.1)	(30.4)	(64.7)	(10.6)	(75.3)
Net rental income	299.2	40.4	339.6	241.3	18.6	259.9	540.5	59.0	599.5
Indirect property expenditure	(27.6)	(1.8)	(29.4)	(19.9)	(0.9)	(20.8)	(47.5)	(2.7)	(50.2)
Depreciation	(0.3)	–	(0.3)	(0.8)	–	(0.8)	(1.1)	–	(1.1)
Segment profit before interest	271.3	38.6	309.9	220.6	17.7	238.3	491.9	56.3	548.2
Joint venture net interest expense	–	(6.8)	(6.8)	–	(17.5)	(17.5)	–	(24.3)	(24.3)
Segment profit	271.3	31.8	303.1	220.6	0.2	220.8	491.9	32.0	523.9
Group services – other income							4.1	–	4.1
– expense							(43.5)	–	(43.5)
Interest income							29.4	–	29.4
Interest expense							(184.8)	–	(184.8)
Revenue profit							297.1	32.0	329.1

1. Group income figures shown in this column are included in note 5 and agree to the revenue figure included in the revenue profit column in the income statement.
2. Included within rents payable is finance lease interest payable of **£1.2m** and **£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	297.1	32.0	329.1
Capital and other items			
Impairment of long-term development contracts	(11.3)	–	(11.3)
Profit on disposal of trading properties	29.8	1.7	31.5
Profit on disposal of investment properties	107.1	25.6	132.7
Profit on disposal of investments in joint ventures	3.3	–	3.3
Net surplus on revaluation of investment properties	1,767.8	269.1	2,036.9
Release of impairment/(impairment) of trading properties[3]	1.9	(0.3)	1.6
Fair value movement on interest-rate swaps	(34.0)	(0.8)	(34.8)
Fair value movement on foreign exchange swaps	(5.1)	–	(5.1)
Foreign exchange movement on borrowings	4.9	–	4.9
Fair value movement on long-term liabilities	(4.4)	–	(4.4)
Amortisation of bond exchange de-recognition adjustment	(21.5)	–	(21.5)
Impairment of unamortised finance costs	(4.5)	(1.6)	(6.1)
Revaluation of redemption liabilities	(8.5)	–	(8.5)
Net gain on business combination	2.2	–	2.2
Business combination costs	(8.8)	–	(8.8)
Impairment of goodwill	(29.7)	–	(29.7)
Amortisation of intangible asset	(1.1)	–	(1.1)
Adjustment for non-wholly owned subsidiaries[4]	5.5	0.1	5.6
Profit before tax	2,090.7	325.8	2,416.5

3. The net release of impairment of trading properties of **£1.6m** relates entirely to the London Portfolio with no trading property impairment recognised in the Retail Portfolio.
4. All items in the segment note are presented on a proportionate basis (see note 1). This adjustment represents the non-owned element of the Group's subsidiaries which is excluded from the numbers presented in the tables above. Included within the **£5.6m** adjustment above is revenue of **£3.7m**, net surplus on revaluation of investment properties of **£2.8m**, joint venture profits in non-wholly owned subsidiaries of **£0.1m**, less costs of **£1.0m**.

4. Segmental information continued

Year ended 31 March 2014

Revenue profit	Retail Portfolio Group[1] £m	Retail Portfolio Joint ventures £m	Retail Portfolio Total £m	London Portfolio Group[1] £m	London Portfolio Joint ventures £m	London Portfolio Total £m	Total Group[2] £m	Total Joint ventures £m	Total Total £m
Rental income	311.9	65.6	377.5	247.3	9.3	256.6	559.2	74.9	634.1
Finance lease interest	1.8	0.2	2.0	8.9	–	8.9	10.7	0.2	10.9
Gross rental income (before rents payable)	313.7	65.8	379.5	256.2	9.3	265.5	569.9	75.1	645.0
Rents payable[3]	(9.2)	(1.9)	(11.1)	(2.5)	–	(2.5)	(11.7)	(1.9)	(13.6)
Gross rental income (after rents payable)	304.5	63.9	368.4	253.7	9.3	263.0	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	282.5	54.0	336.5	251.2	6.3	257.5	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	256.8	51.7	308.5	232.6	5.7	238.3	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	256.8	37.7	294.5	232.6	(3.0)	229.6	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. The split of net rental income between the London Portfolio and the Retail Portfolio has been restated by £1.3m since the prior year to reflect the impact of properties transferred from the London Portfolio to the Retail Portfolio during the current year.
2. Group income figures shown in this column are included in note 5 and agree to the revenue figure included in the revenue profit column in the income statement.
3. Included within rents payable is finance lease interest payable of £2.0m and £0.4m for the Retail and London portfolios, respectively.

Reconciliation of revenue profit to profit before tax	Total Group £m	Total Joint ventures £m	Total 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[4]	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 non-wholly owned subsidiaries[5]	4.5	0.5	5.0
Profit before tax	913.4	195.5	1,108.9

4. 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.
5. All items in the segment note are presented on a proportionate basis (see note 1). This adjustment represents the non-owned element of the Group's subsidiaries which is excluded from the numbers presented in the tables above. Included within the £5.0m adjustment above is revenue of £11.9m, joint venture profits in non-wholly owned subsidiaries of £0.5m, less a net deficit on revaluation of investment properties of £1.9m, net interest expense of £2.0m and costs of £3.5m.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015 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. This generally occurs on unconditional exchange or on completion, particularly if this is expected to occur significantly after exchange or the Group has significant outstanding obligations between exchange and completion.

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 non-owned element of the Group's subsidiaries which is excluded from revenue profit.

Group			2015			2014
	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)	**557.9**	**2.9**	**560.8**	526.1	9.5	535.6
Adjustment for lease incentives	**14.8**	**0.1**	**14.9**	33.1	0.7	33.8
Rental income	**572.7**	**3.0**	**575.7**	559.2	10.2	569.4
Service charge income	**89.7**	**0.7**	**90.4**	84.5	2.1	86.6
Other property related income	**34.4**	**–**	**34.4**	35.4	(0.6)	34.8
Trading property sales proceeds	**–**	**55.5**	**55.5**	–	11.2	11.2
Finance lease interest	**10.3**	**–**	**10.3**	10.7	0.2	10.9
Other income	**4.1**	**–**	**4.1**	3.6	–	3.6
	711.2	**59.2**	**770.4**	693.4	23.1	716.5

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 in note 5) 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, costs arising on long-term development contracts, amortisation of intangible assets and business combination costs which are presented in the 'Capital and other items' column. Also included in the 'Capital and other items' column is the non-owned element of the Group's subsidiaries which is excluded from revenue profit.

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			2015			2014
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Rents payable	**11.3**	**–**	**11.3**	11.7	0.1	11.8
Service charge expense[1]	**90.6**	**0.6**	**91.2**	86.6	2.4	89.0
Direct property expenditure[1]	**64.7**	**0.4**	**65.1**	57.8	0.8	58.6
Indirect property expenditure[1]	**92.1**	**–**	**92.1**	84.4	0.2	84.6
Impairment of long-term development contracts	**–**	**11.3**	**11.3**	–	–	–
Trading property disposals	**–**	**25.7**	**25.7**	–	9.3	9.3
Amortisation of intangible asset	**–**	**1.1**	**1.1**	–	–	–
Business combination costs	**–**	**8.8**	**8.8**	–	–	–
	258.7	**47.9**	**306.6**	240.5	12.8	253.3

1. The table above includes Group employee costs for the year of **£67.4m** (2014: £63.8m), which has been split into **£7.2m** (2014: £7.4m) within service charge expense, **£0.4m** (2014: £0.2m) within direct property expenditure and **£59.8m** (2014: £56.2m) within indirect property expenditure.

	2015 £m	2014 £m
Employee costs		
Salaries and wages	**52.1**	49.6
Employer payroll taxes	**7.3**	7.1
Other pension costs (note 34)	**3.3**	3.2
Share-based payments (note 35)	**6.0**	5.5
	68.7	65.4

The total employee costs above of **£68.7m** (2014: £65.4m) includes the Group's share of joint venture employee costs of **£1.3m** (2014: £1.6m).

	2015 Number	2014 Number
The average monthly number of employees during the year was:		
Indirect property or contract and administration	**460**	444
Direct property or contract services:		
Full-time	**153**	156
Part-time	**12**	14
	625	614

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015 continued

6. Costs continued

The increase in the average number of employees for the year ended 31 March 2015 reflects the acquisition of Bluewater in June 2014 and the transfer of staff in September 2014.

With the exception of the Executive Directors, the Group General Counsel and Company Secretary and two employees of the Defined Benefit Pension Scheme 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 (2014: none). Information on Directors' emoluments, share options and interests in the Company's shares is given in the Directors' Remuneration Report on pages 61 to 78.

Details of the employee costs associated with the Group's key management personnel are included in note 39.

7. Auditor remuneration

Group	2015 £m	2014 £m
Services provided by the Group's auditor		
Audit fees:		
Parent company and consolidated financial statements	**0.3**	0.3
Audit of subsidiary undertakings	**0.3**	0.3
Audit of joint ventures	**0.1**	0.1
	0.7	0.7
Non-audit fees:		
Audit related assurance services	**0.1**	0.1
	0.8	0.8

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. If fees are expected to be greater than £25,000 they are pre-approved by the Audit Committee.

Ernst & Young LLP were employed by the Group to audit X-Leisure Unit Trust (X-Leisure), replacing KPMG LLP. The fees of **£0.1m** (2014: £0.1m) have been included in the Audit of subsidiary undertakings total above.

8. External valuers' remuneration

Group	2015 £m	2014 £m
Services provided by the Group's external valuers		
Valuation fees:		
Year end and half-year valuations	**0.8**	0.9
Security Group valuation	**–**	0.1
	0.8	1.0
Other consultancy and agency services	**5.1**	3.5
	5.9	4.5

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 **£0.4m** (2014: £0.3m). Jones Lang LaSalle Limited (JLL) was employed to perform the valuation of investment properties held by X-Leisure and CBRE Group Inc. (CBRE) was employed to perform the valuation of Bluewater. The fees of Knight Frank, JLL and CBRE have been included in the table above. Knight Frank, JLL and CBRE undertake some other consultancy and agency work on behalf of the Group.

Knight Frank, JLL and CBRE 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	2015 £m	2014 £m
Interest expense		
Bond and debenture debt	**(169.8)**	(174.6)
Bank borrowings	**(29.4)**	(30.0)
Amortisation of bond exchange de-recognition	**(21.5)**	(19.6)
Fair value movement on interest-rate swaps	**(34.0)**	–
Fair value movement on foreign exchange swaps	**(5.1)**	–
Foreign exchange movement on borrowings	**4.9**	–
Fair value movement on long-term liabilities	**(4.4)**	–
Impairment of unamortised finance costs	**(4.5)**	–
Other interest payable	**(0.6)**	(1.0)
	(264.4)	(225.2)
Interest capitalised in relation to properties under development	**15.0**	8.3
Total interest expense	**(249.4)**	(216.9)
Interest income		
Short-term deposits	**0.1**	0.1
Interest received on loan investments	**2.3**	2.3
Other interest receivable	**0.6**	1.4
Interest receivable from joint ventures	**26.2**	21.0
Net pension interest	**0.2**	0.4
Fair value movement on interest-rate swaps	**–**	12.5
Total interest income	**29.4**	37.7
Net interest expense	**(220.0)**	(179.2)

Included within rents payable (note 4) is finance lease interest payable of **£1.6m** (2014: £2.4m).

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	2015 £m	2014 £m
Total interest expense	**(249.4)**	(216.9)
Amortisation of bond exchange de-recognition adjustment	**21.5**	19.6
Fair value movement on interest-rate swaps	**34.0**	–
Fair value movement on foreign exchange swaps	**5.1**	–
Foreign exchange movement on borrowings	**(4.9)**	–
Fair value movement on long-term liabilities	**4.4**	–
Impairment of unamortised finance costs	**4.5**	–
Adjustment for non-wholly owned subsidiaries[1]	**–**	4.1
Group interest expense included in revenue profit	**(184.8)**	(193.2)
Joint venture net interest expense included in revenue profit	**(24.3)**	(22.7)
Interest expense included in revenue profit	**(209.1)**	(215.9)
Total interest income	**29.4**	37.7
Fair value movement on interest-rate swaps	**–**	(10.4)
Adjustment for non-wholly owned subsidiaries[1]	**–**	(2.1)
Interest income included in revenue profit	**29.4**	25.2

1. This represents the non-owned element of the Group's subsidiaries which is excluded from revenue profit.

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10. Net assets per share

Group	2015 £m	2014 £m
Net assets attributable to the owners of the parent	**10,606.3**	8,418.3
Fair value of interest-rate swaps – Group	**37.7**	3.7
– Joint ventures	**2.1**	(0.1)
Deferred tax liability	**5.8**	–
Goodwill on deferred tax liability	**(5.8)**	–
EPRA adjusted net assets	**10,646.1**	8,421.9
Reverse bond exchange de-recognition adjustment	**(391.7)**	(413.2)
Adjusted net assets attributable to the owners of the parent	**10,254.4**	8,008.7
Reinstate bond exchange de-recognition adjustment	**391.7**	413.2
Fair value of interest-rate swaps – Group	**(37.7)**	(3.7)
– Joint ventures	**(2.1)**	0.1
Deferred tax liability	**(5.8)**	–
Excess of fair value of debt over book value (note 22)	**(1,161.3)**	(889.1)
EPRA triple net assets	**9,439.2**	7,529.2

	2015 million	2014 million
Number of ordinary shares in issue	**801.0**	799.2
Number of treasury shares	**(10.5)**	(10.5)
Number of own shares	**(1.0)**	(1.1)
Number of ordinary shares – basic net assets per share	**789.5**	787.6
Dilutive effect of share options	**3.7**	3.0
Number of ordinary shares – diluted net assets per share	**793.2**	790.6

	2015 pence	2014 pence
Net assets per share	**1,343**	1,069
Diluted net assets per share	**1,337**	1,065
Adjusted net assets per share	**1,299**	1,017
Adjusted diluted net assets per share	**1,293**	1,013
EPRA measure – adjusted diluted net assets per share	**1,342**	1,065
– diluted triple net assets per share	**1,190**	952

Adjusted net assets per share excludes fair value adjustments on financial instruments used for hedging purposes and the bond exchange de-recognition adjustment as management consider 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	2015 £m	2014 £m
Profit for the year attributable to the owners of the parent	**2,416.8**	1,116.6
Net surplus on revaluation of investment properties	**(2,036.9)**	(763.8)
Profit on disposal of investment properties	**(132.7)**	(16.0)
Profit on disposal of investments in joint ventures	**(3.3)**	(2.5)
Release/(impairment) of trading properties	**(1.6)**	(5.0)
Profit on disposal of trading properties	**(31.5)**	(2.4)
Fair value movement on interest-rate swaps	**34.8**	(15.2)
Fair value movement on foreign exchange swaps	**5.1**	–
Foreign exchange movement on borrowings	**(4.9)**	–
Fair value movement on long-term liabilities	**4.4**	–
Revaluation of redemption liabilities	**8.5**	5.6
Business combination costs	**8.8**	–
Net gain on business combination	**(2.2)**	(5.0)
Impairment of goodwill	**29.7**	–
Amortisation of intangible asset	**1.1**	–
Impairment of unamortised finance costs	**6.1**	–
Group taxation	**(0.3)**	(7.7)
Share of joint venture tax	**–**	0.6
Joint venture net liabilities adjustment[1]	**–**	0.3
Adjustment for non-wholly owned subsidiaries[2]	**(5.6)**	(5.0)
EPRA adjusted earnings attributable to the owners of the parent	**296.3**	300.5
Eliminate:		
Impairment/(profit) on long-term development contracts[3]	**11.3**	(1.0)
Amortisation of bond exchange de-recognition	**21.5**	19.6
Adjusted earnings attributable to the owners of the parent	**329.1**	319.1

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. This adjustment represents the non-owned element of the Group's subsidiaries which is excluded from adjusted earnings.
3. The impairment/(profit) on long-term development contracts has been removed from our adjusted earnings due to the long-term, capital nature of these programmes.

	2015 million	2014 million
Weighted average number of ordinary shares	**800.9**	796.2
Weighted average number of treasury shares	**(10.5)**	(10.5)
Weighted average number of own shares	**(0.8)**	(1.1)
Weighted average number of ordinary shares – basic earnings per share	**789.6**	784.6
Dilutive effect of share options	**3.5**	2.9
Weighted average number of ordinary shares – diluted earnings per share	**793.1**	787.5

	2015 pence	2014 pence
Basic earnings per share	**306.1**	142.3
Diluted earnings per share	**304.7**	141.8
Adjusted earnings per share	**41.7**	40.7
Adjusted diluted earnings per share	**41.5**	40.5
EPRA adjusted earnings per share	**37.5**	38.3
EPRA adjusted diluted earnings per share	**37.4**	38.2

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for the year ended 31 March 2015 continued

12. Dividends

Accounting policy

Interim dividend distributions to shareholders are recognised in the financial statements when paid. Final dividend distributions are recognised as a liability in the period in which they are approved by shareholders.

	Payment date	PID[1] per share (p)	Non-PID[1] per share (p)	Total per share (p)	Group and Company 2015 £m	Group and Company 2014 £m
For the year ended 31 March 2013:						
Third interim	17 April 2013	7.4	–	7.4		57.8
Final	19 July 2013	7.6	–	7.6		59.4
For the year ended 31 March 2014:						
First interim	11 October 2013	7.6	–	7.6		59.6
Second interim	9 January 2014	7.6	–	7.6		59.7
Third interim	**11 April 2014**	**7.6**	**–**	**7.6**	**59.8**	
Final	**22 July 2014**	**7.9**	**–**	**7.9**	**62.4**	
For the year ended 31 March 2015:						
First interim	**10 October 2014**	**7.9**	**–**	**7.9**	**62.4**	
Second interim	**8 January 2015**	**6.0**	**1.9**	**7.9**	**62.4**	
Gross dividend					**247.0**	236.5
Dividends settled in shares					**(17.2)**	(61.1)
Dividends in statement of changes in equity					**229.8**	175.4
Timing difference relating to payment of withholding tax					**(0.4)**	0.2
Dividends in the statement of cash flows					**229.4**	175.6

1. The PID/non-PID split relates to cash dividends. All scrip dividends have been non-PID.

A third quarterly interim dividend of **7.9p** per ordinary share, or **£62.4m** in total (2014: 7.6p or £59.8m in total), was paid on 10 April 2015 as a Property Income Distribution (PID). The Board has recommended a final quarterly dividend for the year ended 31 March 2015 of **8.15p** per ordinary share (2014: 7.9p) to be paid as a PID. This final dividend will result in a further estimated distribution of **£64.4m** (2014: £62.4m). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 24 July 2015 to shareholders registered at the close of business on 19 June 2015. The total dividend paid and recommended in respect of the year ended 31 March 2015 is **31.85p** (2014: 30.7p).

The Company operated a scrip dividend scheme during part of the year and the scrip dividend amount of **£17.2m** (2014: £61.1m) comprised a wholly non-PID distribution. A dividend reinvestment plan (DRIP) was introduced in place of the scrip dividend scheme and was operated for the first time in respect of last year's final dividend paid on 22 July 2014.

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 its 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	2015 £m	2014 £m
Current tax		
Income tax charge for the year	–	(0.9)
Adjustment in respect of prior years	**0.1**	8.6
Total current income tax credit in the income statement	**0.1**	7.7
Deferred tax		
Deferred tax movement on intangible asset	**0.2**	–
Total deferred tax credit in the income statement	**0.2**	–
Total income tax credit in the income statement	**0.3**	7.7

The tax for the year is lower than the standard rate of corporation tax in the UK of **21%** (2014: 23%). The differences are explained below:

	2015 £m	2014 £m
Profit before tax	**2,416.5**	1,108.9
Profit before tax multiplied by the rate of corporation tax in the UK of **21%** (2014: 23%)	**(507.5)**	(255.0)
Exempt property rental profits and revaluations in the year	**510.4**	248.1
	2.9	(6.9)
Effects of:		
Interest rate fair value movements and other temporary differences	**(7.8)**	2.1
Adjustment in respect of prior years	**0.1**	8.6
Non-allowable expenses and non-taxable items	**1.3**	1.3
Utilisation of brought forward losses	**3.8**	1.9
Joint venture tax adjustment	**–**	0.7
Total income tax credit in the income statement (as above)	**0.3**	7.7

The Group has unrecognised unutilised revenue tax losses carried forward as at 31 March 2015 of approximately **£43.0m** (2014: £52.0m).

During the year the Group released provisions of **£0.1m** (2014: £8.6m) to the income statement on the settlement of historical issues.

The total deferred tax balance of **£7.3m** at 31 March 2015 (2014: £nil) comprises deferred tax arising on business combinations (note 41) and deferred tax arising on the Defined Benefit Pension Scheme surplus.

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for the year ended 31 March 2015 continued

14. Net cash generated from operations

	Group		Company	
Reconciliation of operating profit to net cash generated from operations:	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Operating profit	**2,346.7**	1,093.2	**22.0**	22.0
Adjustments for:				
Depreciation	**2.1**	2.7	**–**	–
Amortisation of intangible asset	**1.1**	–	**–**	–
Impairment of long-term development contracts	**11.3**	–	**–**	–
Profit on disposal of trading properties	**(29.8)**	(1.9)	**–**	–
Profit on disposal of investment properties	**(107.1)**	(15.6)	**–**	–
Profit on disposal of investments in joint ventures	**(3.3)**	(2.5)	**–**	–
Net surplus on revaluation of investment properties	**(1,770.6)**	(606.6)	**–**	–
Release of impairment of trading properties	**(1.9)**	(5.3)	**–**	–
Share-based payment charge	**6.0**	5.5	**–**	–
Defined Benefit Pension Scheme charge	**1.1**	1.0	**–**	–
	455.6	470.5	**22.0**	22.0
Changes in working capital:				
Increase in long-term development contracts	**(0.6)**	(1.3)	**–**	–
Increase/(decrease) in receivables	**5.6**	(52.9)	**–**	–
(Decrease)/increase in payables and provisions	**(13.1)**	14.3	**(22.0)**	(22.0)
Net cash generated from operations	**447.5**	430.6	**–**	–

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. 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 or on completion, particularly if this is expected to occur significantly after exchange or the Group has significant outstanding obligations between exchange and completion. Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, capitalised interest. Certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase are also capitalised.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit. The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

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, JLL and CBRE have based their valuation of the Group's properties as at 31 March 2015. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the 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 position.

In assessing the recognition of a property acquisition or disposal, judgement is required on whether the Group holds the risks and reward of ownership and the point at which this is obtained or relinquished. Consideration is given to the terms of the acquisition/disposal contracts and any conditions that must be satisfied before the contract is fulfilled and, in the case of an acquisition, whether the transaction represents an asset acquisition or business combination.

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15. Investment properties continued

Group	2015 £m	2014 £m
Net book value at the beginning of the year	**9,847.7**	9,651.9
Acquisitions	**108.9**	1.6
Acquired in business combination (note 41)	**910.8**	–
Capital expenditure: Like-for-like portfolio	**72.5**	120.0
Development portfolio	**203.7**	102.0
Capitalised interest	**11.4**	5.5
Disposals	**(470.6)**	(637.3)
Net movement in finance leases	**(13.6)**	3.2
Transfer to trading properties	**–**	(5.8)
Transfer to non-current assets held for sale (note 42)	**(283.4)**	–
Valuation surplus	**1,770.6**	606.6
Net book value at the end of the year	**12,158.0**	9,847.7

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.

	As at 31 March 2015				As at 31 March 2014			
	Group (excl. joint ventures) £m	**Joint ventures[1] £m**	**Adjustment for proportionate share[2] £m**	**Combined Portfolio £m**	Group (excl. joint ventures) £m	Joint ventures[1] £m	Adjustment for proportionate share[2] £m	Combined Portfolio £m
Net book value	**12,158.0**	**1,403.0**	**(31.8)**	**13,529.2**	9,847.7	1,571.4	(28.7)	11,390.4
Plus: tenant lease incentives	**251.0**	**26.5**	**(0.2)**	**277.3**	251.9	27.9	(0.2)	279.6
Less: head leases capitalised	**(16.5)**	**–**	**0.2**	**(16.3)**	(30.1)	(3.0)	0.2	(32.9)
Plus: properties treated as finance leases	**242.4**	**–**	**(1.2)**	**241.2**	219.3	4.1	(1.1)	222.3
Market value	**12,634.9**	**1,429.5**	**(33.0)**	**14,031.4**	10,288.8	1,600.4	(29.8)	11,859.4

1. Refer to note 16 for a breakdown of this amount by entity.
2. 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 **£911.8m** (2014: £925.1m).

Investment properties include capitalised interest of **£198.2m** (2014: £214.3m). The average rate of interest capitalisation for the year is **5.0%** (2014: 5.0%). The historical cost of investment properties is **£7,185.4m** (2014: £6,579.6m).

Valuation process

The fair value of investment properties at 31 March 2015 was determined by the Group's external valuers: Knight Frank, CBRE and JLL. The valuations are in accordance with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. 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 and as explained in note 27(iii). Accordingly, there has been no transfer of properties within the fair value hierarchy in the financial year. 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.

15. Investment properties continued

The table below summarises the key unobservable inputs used in the valuation of the Group's wholly owned investment properties at 31 March 2015:

										31 March 2015
		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	3,029.6	9	34	57	4.2	4.7	7.6	–	4	11
Retail warehouses and food stores	1,199.1	11	20	29	5.0	5.5	7.6	–	3	32
Leisure and hotels	1,442.3	5	13	57	3.9	5.9	9.4	–	1	19
Other[1]	22.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Retail Portfolio (excluding developments)	**5,693.8**	**5**	**22**	**57**	**3.9**	**5.2**	**9.4**	**–**	**3**	**32**
London Portfolio										
West End	2,052.4	16	53	64	3.7	4.5	5.5	–	17	76
City	770.6	41	51	56	4.2	4.4	5.0	–	2	17
Mid-town	1,101.4	32	49	59	4.2	4.3	5.3	–	13	83
Inner London	483.3	27	31	41	4.8	5.5	6.1	–	38	73
Total London offices	**4,407.7**	**16**	**47**	**64**	**3.7**	**4.5**	**6.1**	**–**	**18**	**83**
Central London shops	1,119.8	12	57	129	3.0	4.6	5.8	–	1	2
Other[1]	70.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total London Portfolio (excluding developments)	**5,597.6**	**12**	**48**	**129**	**3.0**	**4.5**	**6.1**	**–**	**16**	**83**
Developments: income capitalisation method	376.5	49	69	70	4.5	4.5	4.8	3	3	3
Developments: residual method	967.0	28	49	75	4.1	4.4	5.0	57	180	427
Development programme	**1,343.5**	**28**	**52**	**75**	**4.1**	**4.4**	**5.0**	**3**	**148**	**427**
Market value at 31 March 2015 – Group	**12,634.9**									

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.

The sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

							31 March 2015
Sensitivities		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)	5,693.8	243.8	(221.0)	274.2	(248.3)	n/a	n/a
Total London Portfolio (excluding developments)	5,597.6	244.4	(225.6)	343.6	(307.8)	n/a	n/a
Developments: income capitalisation method	376.5	17.9	(15.2)	24.6	(22.0)	n/a	n/a
Developments: residual method	967.0	36.2	(34.9)	97.0	(87.1)	21.6	(22.4)
Market value at 31 March 2015 – Group	**12,634.9**						

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for the year ended 31 March 2015 continued

15. Investment properties continued

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.

The sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

Sensitivities		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 31 March 2014	
	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. Joint arrangements

Accounting policy

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint arrangements are accounted for as either a joint venture or a joint operation as permitted by IFRS 11 'Joint Arrangements'. The accounting treatment for our joint arrangements requires an assessment to determine whether the Group has joint control over the arrangement and to consider whether the Group has an interest in the net assets or a direct interest in the assets and liabilities of the arrangement.

A joint arrangement is accounted for as a joint venture when the Group, along with the other parties that have joint control of the arrangement, have rights to the net assets of the arrangement. In the Group's statutory financial statements, interests in joint ventures 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.

A joint arrangement is accounted for as a joint operation when the Group, along with the parties that have joint control of the arrangement, have rights to the assets and obligations for the liabilities relating to the arrangement. The Group's share of jointly controlled assets, related liabilities, income and expenses are combined with the equivalent items in the financial statements on a line-by-line basis. All information presented in respect of joint arrangements is consistent with the Group's reporting date.

The Group's joint arrangements are described below:

Joint ventures	Percentage owned and voting rights	Business segment	Year end date[1]	Joint venture partners
Held at 31 March 2015				
20 Fenchurch Street Limited Partnership	50.0%	London Portfolio	31 March	Canary Wharf Group plc
Nova, Victoria[2]	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
St. David's Limited Partnership	50.0%	Retail Portfolio	31 December	Intu Properties plc
Westgate Oxford Alliance Limited Partnership	50.0%	Retail Portfolio	31 March	The Crown Estate Commissioners
The Oriana Limited Partnership	50.0%	London Portfolio	31 March	Frogmore Real Estate Partners Limited Partnership
Harvest[3,4]	50.0%	Retail Portfolio	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[4]	50.0%	London Portfolio	31 March	Lafarge Cement UK PLC
Millshaw Property Co. Limited[4]	50.0%	Retail Portfolio	31 March	Evans Property Group Limited
Countryside Land Securities (Springhead) Limited[4]	50.0%	London Portfolio	30 September	Countryside Properties PLC
West India Quay Unit Trust[4,5]	50.0%	Retail Portfolio	31 December	Schroder Exempt Property Unit Trust

Joint operations	Ownership interest	Business segment	Joint operation partners
Bluewater, Kent	30.0%	Retail Portfolio	M&G Real Estate and GIC Lend Lease Retail Partnership Hermes and Aberdeen Asset Management

Disposed of or transferred to investments in subsidiaries in the year ended 31 March 2015	Ownership interest	Business segment	
Buchanan Partnership[6]	50.0%	Retail Portfolio	The Henderson UK Shopping Centre Fund
Princesshay, Exeter[6]	50.0%	Retail Portfolio	The Crown Estate Commissioners
Bristol Alliance Limited Partnership[7]	50.0%	Retail Portfolio	Hammerson plc
The Martineau Galleries Limited Partnership[4]	33.3%	Retail Portfolio	Hammerson plc Pearl Group Limited
Thomas More Square, E1[8]	50.0%	London Portfolio	The Cadillac Fairview Corporation Limited

Disposed of in the year ended 31 March 2014	Ownership interest	Business segment	
The Scottish Retail Property Limited Partnership[4]	50.0%	Retail Portfolio	The British Land Company PLC
Hungate (York) Regeneration Limited[4]	33.3%	Retail Portfolio	Crosby Lend Lease PLC Evans Property Group Limited
The Empress State Limited Partnership[4]	50.0%	London Portfolio	Capital & Counties Properties PLC

1. The year end date shown is the accounting reference date of the joint venture. In all cases the Group's accounting is performed using financial information for the Group's own reporting period and reporting date.
2. Nova, Victoria includes the Victoria Circle Limited Partnership and Nova Residential Limited Partnership.
3. Harvest includes The Harvest Limited Partnership and Harvest Two Limited Partnership. The Harvest Partnership disposed of its interests in Salisbury and Hull.
4. Included within 'Other' in subsequent tables.
5. West India Quay Unit Trust is held in the X-Leisure Unit Trust (X-Leisure) in which the Group holds a 95% share.
6. On 31 October 2014, the Group simultaneously disposed of its interest in Princesshay, Exeter and acquired the remaining 50% interest in the Buchanan Partnership. See note 41.
7. On 30 October 2014, the Group disposed of its interest in the Bristol Alliance Limited Partnership.
8. On 19 November 2014, the Group acquired the remaining 50% interest in Thomas More Square, E1, from the Ontario Teachers' Pension Plan.

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for the year ended 31 March 2015 continued

16. Joint arrangements continued

All of the Group's joint arrangements have their principal place of business in the United Kingdom. All of the Group's joint arrangements own and operate investment property with the exception of The Ebbsfleet Limited Partnership and Countryside Land Securities (Springhead) Limited, which hold development land as trading properties. The 20 Fenchurch Street Limited Partnership, Nova, Victoria and The Oriana Limited Partnership are also engaged in the development of investment properties, with the latter two also developing trading properties. The activities of all the Group's joint arrangements are therefore strategically important to the business activities of the Group.

All joint ventures are registered in England and Wales with the exception of the Metro Shopping Fund Limited Partnership and West India Quay Unit Trust which are registered in Jersey.

Year ended 31 March 2015

Joint ventures Income statement	20 Fenchurch Street Limited Partnership 100% £m	Nova, Victoria 100% £m	Metro Shopping Fund Limited Partnership 100% £m	Buchanan Partnership[3] 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Bristol Alliance Limited Partnership[4] 100% £m	The Oriana Limited Partnership 100% £m	Individually material JVs at LS's share 50% £m	Other LS share £m	Total LS share £m
Revenue[1]	37.4	0.2	17.4	11.6	42.8	4.2	25.0	12.4	75.5	8.8	84.3
Gross rental income (after rents payable)	31.0	–	14.0	10.4	33.6	3.2	21.2	12.0	62.7	6.4	69.1
Net rental income/(expense)	28.8	(2.8)	13.0	8.2	27.6	2.8	17.6	11.6	53.4	5.6	59.0
Segment profit/(loss) before interest	27.8	(3.2)	12.2	8.2	26.6	2.2	17.0	11.2	51.0	5.3	56.3
Net interest (expense)/income	(27.8)	(0.4)	(6.2)	(4.2)	(3.6)	0.2	–	(7.2)	(24.6)	0.3	(24.3)
Revenue profit	–	(3.6)	6.0	4.0	23.0	2.4	17.0	4.0	26.4	5.6	32.0
Capital and other items											
(Loss)/Profit on disposal of trading properties	–	–	–	–	(0.2)	–	–	–	(0.1)	1.8	1.7
Profit on disposal of investment properties	–	–	–	–	–	0.2	–	42.4	21.3	4.3	25.6
Impairment of trading properties	–	–	–	–	–	–	–	–	–	(0.3)	(0.3)
Net surplus on revaluation of investment properties	187.0	80.0	61.8	–	118.4	21.8	–	63.2	266.1	3.0	269.1
Fair value movement on interest-rate swaps	–	–	–	–	0.6	–	–	(2.2)	(0.8)	–	(0.8)
Impairment of unamortised finance costs	–	–	–	–	–	–	–	(3.3)	(1.6)	–	(1.6)
Adjustment for non-wholly owned subsidiary[2]	–	–	–	–	–	–	–	–	–	0.1	0.1
Profit before tax	187.0	76.4	67.8	4.0	141.8	24.4	17.0	104.1	311.3	14.5	325.8
Income tax	–	–	–	–	–	–	–	–	–	–	–
Post-tax profit	187.0	76.4	67.8	4.0	141.8	24.4	17.0	104.1	311.3	14.5	325.8
Other comprehensive income	–	–	(3.4)	–	–	–	–	–	(1.7)	–	(1.7)
Total comprehensive income	187.0	76.4	64.4	4.0	141.8	24.4	17.0	104.1	309.6	14.5	324.1
	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%			
Land Securities' share of total comprehensive income	93.5	38.2	32.2	2.0	70.9	12.2	8.5	52.1	309.6	14.5	324.1

1. Revenue includes gross rental income (before rents payable), service charge income, other property related income, trading properties disposal proceeds and income from long-term development contracts.
2. The adjustment represents the non-owned element of a Group subsidiary's investment in a joint venture which is excluded from revenue profit and the 'Net surplus/(deficit) on revaluation of investment properties' shown in this note.
3. On 31 October 2014, the Group acquired the remaining 50% interest in Buchanan Galleries, Glasgow from its joint venture partner, therefore the table above only represents the comprehensive income earned in the year up to this date.
4. On 30 October 2014, the Group disposed of its interest in the Bristol Alliance Limited Partnership, therefore the table above only represents the comprehensive income earned in the year up to this date.

16. Joint arrangements continued

Year ended 31 March 2014

Joint ventures Income statement	20 Fenchurch Street Limited Partnership 100% £m	Nova, Victoria 100% £m	Metro Shopping Fund Limited Partnership 100% £m	Buchanan Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Bristol Alliance Limited Partnership 100% £m	The Oriana Limited Partnership 100% £m	Individually material JVs at LS's share 50% £m	Other LS share £m	Total LS share £m
Revenue[1]	1.4	–	17.4	20.6	44.6	4.4	42.0	13.4	71.9	24.9	96.8
Gross rental income (after rents payable)	1.0	(0.2)	14.4	18.0	33.4	3.6	35.4	12.8	59.2	14.0	73.2
Net rental income/(expense)	(3.8)	(1.2)	12.8	15.6	27.2	2.8	30.2	12.4	48.0	12.3	60.3
Segment profit/(loss) before interest	(4.2)	(1.4)	12.2	15.4	26.0	2.4	29.6	11.8	45.9	11.5	57.4
Net interest expense	(8.8)	(0.6)	(6.6)	(8.4)	(8.8)	–	–	(7.4)	(20.3)	(2.4)	(22.7)
Revenue profit	(13.0)	(2.0)	5.6	7.0	17.2	2.4	29.6	4.4	25.6	9.1	34.7
Capital and other items											
Profit on long-term development contracts	–	–	–	–	–	–	–	–	–	1.0	1.0
Profit on disposal of trading properties	–	–	–	–	1.0	–	–	–	0.5	–	0.5
Profit on disposal of investment properties	–	–	–	–	–	–	–	–	–	0.4	0.4
Impairment of trading properties	–	–	–	–	(0.6)	–	–	–	(0.3)	–	(0.3)
Net surplus/(deficit) on revaluation of investment properties	201.4	30.2	16.4	(6.4)	17.6	(6.8)	(5.4)	65.4	156.2	(0.9)	155.3
Fair value movement on interest-rate swaps	–	–	–	–	3.6	–	–	3.0	3.3	1.5	4.8
Adjustment for non-wholly owned subsidiary[2]	–	–	–	–	–	–	–	–	–	0.5	0.5
Profit before tax	188.4	28.2	22.0	0.6	38.8	(4.4)	24.2	72.8	185.3	11.6	196.9
Income tax	–	–	(1.0)	–	(0.4)	–	–	–	(0.7)	(0.4)	(1.1)
	188.4	28.2	21.0	0.6	38.4	(4.4)	24.2	72.8	184.6	11.2	195.8
Net liabilities adjustment[3]	–	–	–	–	–	–	–	–	–	(0.3)	(0.3)
Post-tax profit	188.4	28.2	21.0	0.6	38.4	(4.4)	24.2	72.8	184.6	10.9	195.5
Other comprehensive income	–	–	6.0	–	–	–	–	–	3.0	0.5	3.5
Total comprehensive income	188.4	28.2	27.0	0.6	38.4	(4.4)	24.2	72.8	187.6	11.4	199.0
	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%			
Land Securities' share of total comprehensive income	94.2	14.1	13.5	0.3	19.2	(2.2)	12.1	36.4	187.6	11.4	199.0

1. Revenue includes gross rental income (before rents payable), service charge income, other property related income, trading properties disposal proceeds and income from long-term development contracts.
2. The adjustment represents the non-owned element of a Group subsidiary's investment in a joint venture which is excluded from revenue profit and the 'Net surplus/(deficit) on revaluation of investment properties' shown in this note.
3. 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 year.

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for the year ended 31 March 2015 continued

16. Joint arrangements continued

Joint ventures	20 Fenchurch Street Limited Partnership 100% £m	Nova, Victoria 100% £m	Metro Shopping Fund Limited Partnership 100% £m	Buchanan Partnership[2] 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Bristol Alliance Limited Partnership[3] 100% £m	The Oriana Limited Partnership 100% £m	Individually material JVs at LS's share 50% £m	Other LS share £m	Total LS share £m
Balance sheet at 31 March 2015											
Investment properties[1]	**916.4**	**453.2**	**308.6**	**–**	**641.6**	**100.0**	**–**	**242.4**	**1,331.1**	**71.9**	**1,403.0**
Non-current assets	**916.4**	**453.2**	**308.6**	**–**	**641.6**	**100.0**	**–**	**242.4**	**1,331.1**	**71.9**	**1,403.0**
Cash and cash equivalents	**6.6**	**4.0**	**10.2**	**–**	**6.2**	**8.6**	**–**	**62.2**	**48.9**	**9.3**	**58.2**
Other current assets	**35.0**	**184.8**	**6.0**	**–**	**23.2**	**1.0**	**–**	**28.2**	**139.1**	**32.5**	**171.6**
Current assets	**41.6**	**188.8**	**16.2**	**–**	**29.4**	**9.6**	**–**	**90.4**	**188.0**	**41.8**	**229.8**
Total assets	**958.0**	**642.0**	**324.8**	**–**	**671.0**	**109.6**	**–**	**332.8**	**1,519.1**	**113.7**	**1,632.8**
Trade and other payables and provisions	**(66.0)**	**(97.0)**	**(5.9)**	**–**	**(13.2)**	**(2.6)**	**–**	**(41.4)**	**(113.0)**	**(4.8)**	**(117.8)**
Current liabilities	**(66.0)**	**(97.0)**	**(5.9)**	**–**	**(13.2)**	**(2.6)**	**–**	**(41.4)**	**(113.0)**	**(4.8)**	**(117.8)**
Trade and other payables and provisions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-current financial liabilities	**–**	**–**	**(147.0)**	**–**	**–**	**–**	**–**	**–**	**(73.5)**	**(8.0)**	**(81.5)**
Non-current liabilities	**–**	**–**	**(147.0)**	**–**	**–**	**–**	**–**	**–**	**(73.5)**	**(8.0)**	**(81.5)**
Total liabilities	**(66.0)**	**(97.0)**	**(152.9)**	**–**	**(13.2)**	**(2.6)**	**–**	**(41.4)**	**(186.5)**	**(12.8)**	**(199.3)**
Net assets	**892.0**	**545.0**	**171.9**	**–**	**657.8**	**107.0**	**–**	**291.4**	**1,332.6**	**100.9**	**1,433.5**
Market value of investment properties[1]	**948.2**	**453.2**	**310.6**	**–**	**660.0**	**100.0**	**–**	**242.6**	**1,357.3**	**72.2**	**1,429.5**
Net (debt)/cash	**6.6**	**4.0**	**(136.8)**	**–**	**6.2**	**8.6**	**–**	**62.2**	**(24.6)**	**1.3**	**(23.3)**
Balance sheet at 31 March 2014											
Investment properties[1]	686.8	265.2	235.4	268.0	523.2	60.0	509.2	392.0	1,469.9	101.5	1,571.4
Non-current assets	686.8	265.2	235.4	268.0	523.2	60.0	509.2	392.0	1,469.9	101.5	1,571.4
Cash and cash equivalents	3.8	13.2	8.4	1.2	12.2	2.0	4.8	12.8	29.2	7.4	36.6
Other current assets	1.0	131.6	4.8	5.2	27.0	0.6	34.2	16.0	110.2	43.0	153.2
Current assets	4.8	144.8	13.2	6.4	39.2	2.6	39.0	28.8	139.4	50.4	189.8
Total assets	691.6	410.0	248.6	274.4	562.4	62.6	548.2	420.8	1,609.3	151.9	1,761.2
Trade and other payables and provisions	(30.8)	(34.6)	(6.4)	(4.2)	(14.2)	(1.2)	(13.6)	(17.0)	(61.0)	(4.6)	(65.6)
Current liabilities	(30.8)	(34.6)	(6.4)	(4.2)	(14.2)	(1.2)	(13.6)	(17.0)	(61.0)	(4.6)	(65.6)
Trade and other payables and provisions	–	(12.8)	–	–	–	–	–	–	(6.4)	(1.1)	(7.5)
Non-current financial liabilities	–	–	(142.8)	–	(157.6)	–	(5.2)	(166.8)	(236.2)	(8.6)	(244.8)
Non-current liabilities	–	(12.8)	(142.8)	–	(157.6)	–	(5.2)	(166.8)	(242.6)	(9.7)	(252.3)
Total liabilities	(30.8)	(47.4)	(149.2)	(4.2)	(171.8)	(1.2)	(18.8)	(183.8)	(303.6)	(14.3)	(317.9)
Net assets	660.8	362.6	99.4	270.2	390.6	61.4	529.4	237.0	1,305.7	137.6	1,443.3
Market value of investment properties[1]	687.6	265.2	237.2	270.0	544.4	60.0	534.6	398.0	1,498.5	101.9	1,600.4
Net (debt)/cash	3.8	13.2	(134.4)	1.2	(145.2)	6.2	(0.2)	(153.8)	(204.6)	(3.6)	(208.2)

1. The difference between the book value and the market value is the amount included in 'Other current assets' in respect of lease incentives, head leases capitalised and properties treated as finance leases.
2. On 31 October 2014, the Group acquired the remaining 50% interest in Buchanan Galleries, Glasgow from its joint venture partner and now recognises it as a subsidiary undertaking.
3. On 30 October 2014, the Group disposed of its interest in the Bristol Alliance Limited Partnership.

16. Joint arrangements continued

Joint ventures Net investment	20 Fenchurch Street Limited Partnership 50% £m	Nova, Victoria 50% £m	Metro Shopping Fund Limited Partnership 50% £m	Buchanan Partnership 50% £m	St. David's Limited Partnership 50% £m	Westgate Oxford Alliance Partnership 50% £m	Bristol Alliance Limited Partnership 50% £m	The Oriana Limited Partnership 50% £m	Individually material JVs at LS's share 50% £m	Other LS share £m	Total LS share £m
At 1 April 2013	175.6	126.5	37.0	138.2	186.1	29.8	268.7	82.1	1,044.0	257.0	1,301.0
Total comprehensive income	94.2	14.1	13.5	0.3	19.2	(2.2)	12.1	36.4	187.6	11.4	199.0
Cash contributed	–	–	–	1.3	–	3.3	–	–	4.6	0.1	4.7
Property and other contributions	0.1	–	–	–	–	–	–	–	0.1	–	0.1
Distributions	–	–	(0.8)	(4.7)	–	(0.2)	(16.1)	–	(21.8)	(5.6)	(27.4)
Loan advances	60.5	40.7	–	–	–	–	–	–	101.2	15.9	117.1
Loan repayments	–	–	–	–	(10.0)	–	–	–	(10.0)	(0.9)	(10.9)
Disposal of investment	–	–	–	–	–	–	–	–	–	(140.3)	(140.3)
At 31 March 2014	**330.4**	**181.3**	**49.7**	**135.1**	**195.3**	**30.7**	**264.7**	**118.5**	**1,305.7**	**137.6**	**1,443.3**
Total comprehensive income	**93.5**	**38.2**	**32.2**	**2.0**	**70.9**	**12.1**	**8.7**	**52.2**	**309.8**	**14.3**	**324.1**
Cash contributed	**–**	**–**	**4.9**	**1.1**	**–**	**10.7**	**–**	**–**	**16.7**	**–**	**16.7**
Property and other contributions	**0.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**	**0.2**
Distributions	**–**	**–**	**(0.9)**	**(1.9)**	**–**	**–**	**(8.6)**	**(15.3)**	**(26.7)**	**(33.0)**	**(59.7)**
Loan advances	**22.0**	**53.1**	**–**	**–**	**78.3**	**–**	**–**	**–**	**153.4**	**0.5**	**153.9**
Loan repayments	**–**	**–**	**–**	**–**	**(15.6)**	**–**	**–**	**(9.7)**	**(25.3)**	**(11.7)**	**(37.0)**
Disposal of investment	**–**	**–**	**–**	**(136.3)**	**–**	**–**	**(264.8)**	**–**	**(401.1)**	**(6.9)**	**(408.0)**
At 31 March 2015	**446.0**	**272.6**	**85.9**	**–**	**328.9**	**53.5**	**–**	**145.7**	**1,332.6**	**100.9**	**1,433.5**

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for the year ended 31 March 2015 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 their 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 position.

Group	Development land and infrastructure £m	Residential £m	Total trading properties £m	Long-term development contracts £m	Total £m
At 1 April 2013	86.2	57.2	143.4	9.4	152.8
Capital expenditure	3.7	30.5	34.2	–	34.2
Capitalised interest	0.9	1.9	2.8	–	2.8
Disposals	–	(9.3)	(9.3)	–	(9.3)
Transfer from investment properties	–	5.8	5.8	–	5.8
Impairment release	5.3	–	5.3	–	5.3
Contract costs deferred	–	–	–	1.3	1.3
At 31 March 2014	**96.1**	**86.1**	**182.2**	**10.7**	**192.9**
Capital expenditure	**6.5**	**48.2**	**54.7**	**0.6**	**55.3**
Capitalised interest	**0.5**	**3.1**	**3.6**	**–**	**3.6**
Disposals	**(20.1)**	**–**	**(20.1)**	**–**	**(20.1)**
Impairment release	**1.9**	**–**	**1.9**	**–**	**1.9**
Impairment of long-term development contracts	**–**	**–**	**–**	**(11.3)**	**(11.3)**
At 31 March 2015	**84.9**	**137.4**	**222.3**	**–**	**222.3**

The cumulative impairment provision at 31 March 2015 in respect of Development land and infrastructure was **£91.3m** (31 March 2014: £98.1m); and in respect of Residential was **£nil** (31 March 2014: £0.3m).

18. Capital commitments

Group	2015 £m	2014 £m
Contracted capital commitments at the end of the year in respect of:		
Investment properties	**163.7**	307.5
Trading properties	**11.0**	50.4
	174.7	357.9
Joint ventures (our share)	**112.8**	220.7
Total capital commitments	**287.5**	578.6

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 finance income within Revenue over the lease term.

Group	2015 £m	2014 £m
Non-current		
Finance leases – gross receivables	**345.6**	357.6
Unearned finance income	**(194.1)**	(204.3)
Unguaranteed residual value	**33.6**	33.6
	185.1	186.9
Current		
Finance leases – gross receivables	**12.0**	12.0
Unearned finance income	**(10.2)**	(10.4)
	1.8	1.6
Net investment in finance leases	**186.9**	188.5
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	**51.2**	50.3
More than five years	**294.4**	307.3
	357.6	369.6
Unearned future finance income	**(204.3)**	(214.7)
Unguaranteed residual value	**33.6**	33.6
Net investment in finance leases	**186.9**	188.5

The Group has leased out a number of investment properties under finance leases, which range from 25 to 100 years in duration from the inception of the lease. The fair value of the Group's finance lease receivables, using a discount rate of **4.5%** (2014: 5.0%), is **£192.8m** (2014: £190.9m).

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	2015 £m	2014 £m
Net book value at the beginning of the year	**7.3**	8.3
Capital expenditure	**4.4**	1.7
Depreciation	**(2.1)**	(2.7)
Net book value at 31 March	**9.6**	7.3

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for the year ended 31 March 2015 continued

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 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.

IFRS requires 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

	2015				2014			
Group	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Combined £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Combined £m
Property portfolio								
Market value of investment properties	**12,634.9**	**1,429.5**	**(33.0)**	**14,031.4**	10,288.8	1,600.4	(29.8)	11,859.4
Trading properties and long-term contracts	**222.3**	**115.1**	**–**	**337.4**	192.9	91.7	–	284.6
Non-current assets held for sale	**283.4**	**–**	**–**	**283.4**	–	–	–	–
Total property portfolio (a)	**13,140.6**	**1,544.6**	**(33.0)**	**14,652.2**	10,481.7	1,692.1	(29.8)	12,144.0
Net debt								
Borrowings	**3,783.7**	**79.4**	**(0.2)**	**3,862.9**	3,362.2	244.9	(0.1)	3,607.0
Monies held in restricted accounts and deposits	**(10.4)**	**–**	**–**	**(10.4)**	(14.5)	–	–	(14.5)
Cash and cash equivalents	**(14.3)**	**(58.2)**	**–**	**(72.5)**	(20.9)	(36.6)	0.1	(57.4)
Fair value of interest-rate swaps	**37.7**	**2.1**	**–**	**39.8**	–	–	–	–
Fair value of foreign exchange swaps	**3.8**	**–**	**–**	**3.8**	3.7	(0.1)	–	3.6
Net debt (b)	**3,800.5**	**23.3**	**(0.2)**	**3,823.6**	3,330.5	208.2	–	3,538.7
Less: Fair value of interest-rate swaps	**(37.7)**	**(2.1)**	**–**	**(39.8)**	(3.7)	0.1	–	(3.6)
Less: Fair value of foreign exchange swaps	**(3.8)**	**–**	**–**	**(3.8)**	–	–	–	–
Reverse bond exchange de-recognition (note 22)	**391.7**	**–**	**–**	**391.7**	413.2	–	–	413.2
Adjusted net debt (c)	**4,150.7**	**21.2**	**(0.2)**	**4,171.7**	3,740.0	208.3	–	3,948.3
Adjusted total equity								
Total equity (d)	**10,606.3**	**–**	**–**	**10,606.3**	8,418.3	–	–	8,418.3
Fair value of interest-rate swaps	**37.7**	**2.1**	**–**	**39.8**	3.7	(0.1)	–	3.6
Fair value of foreign exchange swaps	**3.8**	**–**	**–**	**3.8**	–	–	–	–
Reverse bond exchange de-recognition (note 14)	**(391.7)**	**–**	**–**	**(391.7)**	(413.2)	–	–	(413.2)
Adjusted total equity (e)	**10,256.1**	**2.1**	**–**	**10,258.2**	8,008.8	(0.1)	–	8,008.7
Gearing (b/d)	**35.8%**			**36.1%**	39.6%			42.0%
Adjusted gearing (c/e)	**40.5%**			**40.7%**	46.7%			49.3%
Group LTV (c/a)	**31.6%**			**28.5%**	35.7%			32.5%
Security Group LTV	**31.5%**				35.5%			
Weighted average cost of debt	**4.5%**			**4.5%**	5.0%			5.0%

1. This represents the **5.0%** (2014: 5.0%) interest in X-Leisure which we do not own, but is consolidated in the Group numbers.

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).

				2015			2014		
Group	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m	Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings									
Sterling									
5.253% QAG Bond	Secured	Fixed	5.3	**14.6**	**17.5**	**14.6**	13.2	15.0	13.2
Bilateral facilities	Secured	Floating	LIBOR + margin	**–**	**–**	**–**	500.0	500.0	500.0
Commercial paper	Unsecured	Floating	LIBOR + margin	**30.1**	**30.1**	**30.1**	–	–	–
Euro									
Commercial paper	Unsecured	Floating	EURIBOR + margin	**146.0**	**146.0**	**146.0**	–	–	–
Total current borrowings				**190.7**	**193.6**	**190.7**	513.2	515.0	513.2
Non-current borrowings									
Sterling									
4.875% MTN due 2019	Secured	Fixed	5.0	**400.0**	**436.0**	**398.7**	400.0	441.1	398.2
5.425% MTN due 2022	Secured	Fixed	5.5	**255.3**	**298.3**	**254.9**	255.3	290.8	254.8
4.875% MTN due 2025	Secured	Fixed	4.9	**300.0**	**357.2**	**298.0**	300.0	332.6	297.9
5.391% MTN due 2026	Secured	Fixed	5.4	**210.7**	**260.1**	**210.1**	210.7	242.9	210.0
5.391% MTN due 2027	Secured	Fixed	5.4	**608.3**	**767.1**	**606.2**	608.6	703.3	606.4
5.376% MTN due 2029	Secured	Fixed	5.4	**317.6**	**410.1**	**316.2**	317.5	366.3	316.1
5.396% MTN due 2032	Secured	Fixed	5.4	**322.6**	**426.5**	**321.0**	322.7	375.1	321.0
5.125% MTN due 2036	Secured	Fixed	5.1	**500.0**	**653.5**	**498.7**	500.0	570.2	498.7
Bond exchange de-recognition adjustment						**(391.7)**			(413.2)
				2,914.5	**3,608.8**	**2,512.1**	2,914.8	3,322.3	2,489.9
5.253% QAG Bond	Secured	Fixed	5.3	**289.4**	**347.0**	**289.4**	304.0	346.0	304.0
Syndicated bank debt	Secured	Floating	LIBOR + margin	**180.0**	**180.0**	**180.0**	15.0	15.0	15.0
Bilateral facilities	Secured	Floating	LIBOR + margin	**595.0**	**595.0**	**595.0**	10.0	10.0	10.0
Amounts payable under finance leases	Unsecured	Fixed	7.2	**16.5**	**20.7**	**16.5**	30.1	43.0	30.1
Total non-current borrowings				**3,995.4**	**4,751.5**	**3,593.0**	3,273.9	3,736.3	2,849.0
Total borrowings				**4,186.1**	**4,945.1**	**3,783.7**	3,787.1	4,251.3	3,362.2

Reconciliation of the movement in borrowings

Group	2015 £m	2014 £m
At the beginning of the year	**3,362.2**	3,751.4
Repayment of loans	**(13.6)**	(911.3)
Proceeds from new loans	**431.0**	500.0
Foreign exchange on commercial paper	**(4.9)**	–
Amortisation of finance fees	**1.1**	1.1
Amortisation of bond exchange de-recognition adjustment	**21.5**	19.6
Net movement in finance lease obligations	**(13.6)**	1.4
At 31 March	**3,783.7**	3,362.2

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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 Westgate Oxford Alliance Limited Partnership, Nova, Victoria and the St. David's Limited Partnership, valued at **£12.3bn** at 31 March 2015 (2014: £9.7bn). 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 2015	Authorised 2015 £m	Authorised 2014 £m	Drawn 2015 £m	Drawn 2014 £m	Undrawn 2015 £m	Undrawn 2014 £m
Syndicated debt	2020	**1,255.0**	1,085.0	**180.0**	15.0	**1,075.0**	1,070.0
Bilateral debt	2016 -18	**985.0**	985.0	**595.0**	510.0	**390.0**	475.0
		2,240.0	2,070.0	**775.0**	525.0	**1,465.0**	1,545.0

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or where commercial paper has been issued. Accordingly, the Group's available undrawn facilities at 31 March 2015 were **£1,288.9m** (2014: £1,045.0m), compared with undrawn facilities of **£1,465.0m** (2014: £1,545.0m).

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. In the year ended 31 March 2015, the amounts drawn under the Group's bilateral facilities and syndicated bank debt increased by £250.0m, primarily to fund the acquisition of Bluewater, Kent. To increase our financial headroom following the acquisition, the £500.0m short-term bank facility in place at 31 March 2014 was cancelled and replaced with a facility for the same amount expiring in September 2016.

At 31 March 2014 the Group had a £1.085bn authorised credit facility with a maturity of December 2016, which was £15.0m drawn. In March 2015, the borrowings under this facility were repaid and the facility was cancelled in full. At the same time a new £1.255bn facility was entered into, which matures in March 2020. The new facility was £180.0m drawn at 31 March 2015.

This facility is committed and is secured on the assets of the Security Group.

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 2015 the bond had an amortised book value of **£304.0m** (2014: £317.2m).

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 by IFRS 13 and explained in note 27(iii).

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 they 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 included in 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	2015 £m	2014 £m
Cash at bank and in hand	**8.2**	7.6
Short-term deposits	**2.2**	6.9
	10.4	14.5

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	2015 £m	2014 £m
Counterparties with external credit ratings		
A	**10.4**	14.5
	10.4	14.5

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	
	2015 £m	2014 £m	2015 £m	2014 £m
Cash at bank and in hand	**6.6**	18.2	**0.1**	0.1
Short-term deposits	**7.7**	2.7	**–**	–
	14.3	20.9	**0.1**	0.1

Short-term deposits

The effective interest rate on short-term deposits was **0.3%** at 31 March 2015 (2014: 0.3%) and had an average maturity of **1.5 days** (2014: 2.0 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	2015 £m	2014 £m
Counterparties with external credit ratings		
A	**12.8**	20.3
A-	**1.5**	0.6
	14.3	20.9

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25. Derivative financial instruments

Accounting policy

The Group uses interest-rate and foreign exchange swaps to manage its market 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 and foreign exchange swaps is based on counterparty or market 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 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 financial instruments have been determined by reference to relevant market prices, where available. 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. These valuation techniques fall within Level 2, as defined by IFRS 13.

Fair value of derivative financial instruments

Group	2015 £m	2014 £m
Non-current assets	**–**	5.3
Current liabilities	**(3.8)**	(5.5)
Non-current liabilities	**(37.7)**	(3.5)
Total	**(41.5)**	(3.7)

Notional amount	2015 £m	2014 £m
Interest-rate swaps	**900.0**	1,120.0
Foreign exchange swaps	**146.0**	–
	1,046.0	1,120.0

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	2015 £m	2014 £m
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	**1.0**	2.2
Later than one year but not more than five years	**4.2**	8.6
More than five years	**97.0**	239.1
	102.2	249.9
Future finance charges on finance leases	**(85.7)**	(219.8)
Present value of finance lease liabilities	**16.5**	30.1
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	**0.1**	–
More than five years	**16.4**	30.1
	16.5	30.1

The fair value of the Group's lease obligations, using a discount rate of **4.5%** (2014: 5.0%), is **£22.8m** (2014: £43.0m).

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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 26 to 29) and 'Our principal risks' (pages 34 to 36). 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 the Group's treasury function 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: Disclosures':

Group	2015 £m	2014 £m
Loans and receivables (excluding tax asset)	**503.1**	447.3
Financial liabilities at amortised cost	**(4,178.4)**	(3,705.3)
Net financial liabilities at fair value through profit and loss	**(41.5)**	(3.7)
Other	**(35.3)**	(32.6)
	(3,752.1)	(3,294.3)

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. The Group's treasury function currently performs a weekly review of the credit ratings of all its financial institution counterparties. Furthermore, the treasury function 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) in 2009 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 (see note 31). After the balance sheet date, Semperian PPP completed a partial refinancing which saw £44.1m of the Group's loan investment repaid on 5 May 2015.

(ii) Liquidity risk

The Group actively maintains a mixture of notes with final maturities between 2019 and 2036, commercial paper 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	2015 £m	2014 £m
Cash and cash equivalents	**14.3**	20.9
Available facilities	**1,288.9**	1,045.0
Cash and available undrawn facilities	**1,303.2**	1,065.9
As a proportion of drawn debt	**31.3%**	28.4%

The Group's core financing structure is in the Security Group, although the Non-Restricted Group may also secure independent funding.

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for the year ended 31 March 2015 continued

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 2015, the reported LTV for the Security Group was **31.5%** (2014: 35.5%), 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.

					2015
Group	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**	**Total £m**
Borrowings (excluding finance lease liabilities)	**369.1**	**690.0**	**1,267.0**	**3,621.6**	**5,947.7**
Finance lease liabilities	**1.0**	**1.0**	**3.2**	**97.0**	**102.2**
Derivative financial instruments	**5.7**	**0.5**	**18.0**	**19.6**	**43.8**
Trade payables	**15.2**	**–**	**–**	**–**	**15.2**
Capital accruals	**60.5**	**–**	**–**	**–**	**60.5**
Redemption liabilities	**–**	**–**	**–**	**35.3**	**35.3**
	451.5	**691.5**	**1,288.2**	**3,773.5**	**6,204.7**

					2014
Group	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings (excluding finance lease liabilities)	683.1	183.0	950.7	3,863.6	5,680.4
Finance lease liabilities	2.2	2.2	6.5	239.1	250.0
Derivative financial instruments	5.5	–	–	3.5	9.0
Trade payables	12.9	–	–	–	12.9
Capital accruals	48.5	–	–	–	48.5
Redemption liabilities	2.6	–	–	30.0	32.6
	754.8	185.2	957.2	4,136.2	6,033.4

(iii) Market risk

The Group is exposed to market risk through interest rates, availability of credit and foreign exchange movements.

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 2015, the Group (including joint ventures) had pay-fixed interest-rate swaps in place with a nominal value of **£1.0bn** (2014: £1.4bn), and its net debt was **90.9%** fixed (2014: 94.5%). Based on the Group's debt balances at 31 March 2015, a 1% increase in interest rates would increase the annual net interest payable in the income statement and reduce equity by **£4.3m** (2014: £2.8m). 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 frequently enter into any foreign currency transactions as it is UK based other than in connection with its financing activities. 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. At 31 March 2015, the Group had issued **€202.0m** (2014: €nil) of commercial paper, fully hedged through foreign exchange swaps. A 10% weakening or strengthening of sterling would therefore have **£nil** (2014: £nil) impact in the income statement and equity. Therefore the Group's foreign exchange risk is low.

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:

	2015			2014		
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Sterling	3,735.0	305.1	4,040.1	3,262.1	525.0	3,787.1
Euro	–	146.0	146.0	–	–	–
	3,735.0	451.1	4,186.1	3,262.1	525.0	3,787.1

The expected maturity profiles of the Group's borrowings are as follows:

	2015			2014		
Group	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
One year or less, or on demand	84.6	106.1	190.7	13.2	500.0	513.2
More than one year but not more than two years	446.2	70.0	516.2	14.6	–	14.6
More than two years but not more than five years	714.3	95.0	809.3	453.7	25.0	478.7
More than five years	2,489.9	180.0	2,669.9	2,780.6	–	2,780.6
	3,735.0	451.1	4,186.1	3,262.1	525.0	3,787.1

The expected maturity profiles of the Group's derivative instruments are as follows (based on notional values):

Group	2015		2014	
	Foreign exchange swaps £m	Interest-rate swaps £m	Foreign exchange swaps £m	Interest-rate swaps £m
One year or less, or on demand	146.0	70.0	–	220.0
More than one year but not more than two years	–	430.0	–	70.0
More than two years but not more than five years	–	–	–	430.0
More than five years	–	400.0	–	400.0
	146.0	900.0	–	1,120.0

Valuation hierarchy

Interest-rate swaps, foreign exchange swaps and redemption liabilities are the only financial instruments which are carried at fair value. For financial instruments other than borrowings disclosed in note 22, the carrying value in the balance sheet approximates their fair values. The table below shows the aggregate assets and liabilities carried at fair value by valuation method:

	2015				2014			
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	–	(41.5)	(35.3)	(76.8)	–	(9.0)	(32.6)	(41.6)

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.

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for the year ended 31 March 2015 continued

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	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade receivables	**76.6**	75.0	**–**	–
Less: allowance for doubtful accounts	**(15.1)**	(14.0)	**–**	–
Net trade receivables	**61.5**	61.0	**–**	–
Property sales receivables	**46.9**	6.7	**–**	–
Other receivables	**7.2**	7.0	**–**	–
Tenant lease incentives (note 15)	**251.0**	251.9	**–**	–
Prepayments and accrued income	**24.9**	28.3	**–**	–
Current tax assets	**3.1**	3.3	**14.8**	14.2
Net investment in finance leases due within one year (note 19)	**1.8**	1.6	**–**	–
Amounts due from joint ventures	**6.3**	6.5	**–**	–
Total current trade and other receivables	**402.7**	366.3	**14.8**	14.2
Non-current trade and other receivables	**54.0**	34.3	**–**	–
Total trade and other receivables	**456.7**	400.6	**14.8**	14.2

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 2015						
Not impaired	**–**	**52.9**	**5.5**	**2.0**	**1.1**	**61.5**
Impaired	**–**	**0.2**	**2.0**	**4.0**	**8.9**	**15.1**
	–	**53.1**	**7.5**	**6.0**	**10.0**	**76.6**
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

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	2015 £m	2014 £m
At the beginning of the year	**14.0**	12.3
Net charge to the income statement	**4.8**	3.8
Acquired in business combination	**1.4**	–
Utilised in the year	**(5.1)**	(2.1)
At 31 March	**15.1**	14.0

Movement in tenant lease incentives

Group	2015 £m	2014 £m
At the beginning of the year	**251.9**	238.0
Revenue recognised	**15.4**	33.8
Capital incentives received or granted	**(0.5)**	7.3
Provision for doubtful receivables	**(1.3)**	(0.6)
Disposal of properties	**(14.5)**	(26.6)
At 31 March	**251.0**	251.9

29. Trade and other payables

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Trade payables	**15.2**	12.9	**–**	–
Capital accruals	**60.5**	48.5	**–**	–
Other payables	**44.9**	46.0	**6.6**	6.2
Accruals	**78.3**	74.6	**5.5**	5.5
Deferred income	**132.7**	134.5	**–**	–
Amounts owed to joint ventures	**7.5**	3.0	**–**	–
Trading property deposits	**28.2**	–	**–**	–
Loans from Group undertakings	**–**	–	**1,096.1**	812.0
Total current trade and other payables	**367.3**	319.5	**1,108.2**	823.7
Non-current trade and other payables	**29.6**	23.6	**–**	–
Total trade and other payables	**396.9**	343.1	**1,108.2**	823.7

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	2015 £m	2014 £m
At the beginning of the year	**3.6**	7.0
Charged to income statement for the year	**4.6**	0.4
Utilised in the year	**(3.8)**	(1.7)
Released to the income statement in the year	**(1.8)**	(2.1)
At 31 March	**2.6**	3.6
Included in the balance above, the following amounts are anticipated to be utilised within one year:	**2.6**	3.6

Provisions represent amounts in respect of dilapidations and other property related obligations.

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for the year ended 31 March 2015 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 IFRS.

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.

			2015			2014
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**	–	50.0	50.0
Transfer to current trade and other receivables	**–**	**(0.5)**	**(0.5)**	–	–	–
At 31 March	**–**	**49.5**	**49.5**	–	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 'IFRS 2 – Share Based Payments' 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	**2015 £m**	2014 £m
At the beginning of the year	**6,186.2**	6,180.7
Capital contributions relating to share-based payments (note 35)	**6.0**	5.5
At 31 March	**6,192.2**	6,186.2

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:

	2015 Holding	2014 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 2015 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	2015 £m	2014 £m
At the beginning of the year	**32.6**	118.1
Acquisition of additional interest	**–**	(104.1)
Recapitalisation of non-wholly owned subsidiary	**–**	15.0
Distributions paid by non-wholly owned subsidiary	**(2.5)**	(2.0)
Revaluation of redemption liabilities	**8.5**	5.6
Transfer to current liabilities	**(3.3)**	–
At 31 March	**35.3**	32.6

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, 'Fair Value Measurement'.

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 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, calculated with reference to the discount rate, and are included in interest income or expense on a net basis. 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	2015 £m	2014 £m
Charge to operating profit	**2.2**	2.2

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.

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 2015 using, where required, assumptions prescribed by IAS 19, 'Employee Benefits'. The next full actuarial valuation will be performed as at 30 June 2015.

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34. Net pension surplus continued

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 £4.0m per annum, for a period of six years commencing on 1 July 2013.

In the current year, the Group and the Trustees have agreed a new schedule of contributions with the effect that employer deficit reduction contributions ceased from June 2014. In addition, the Group has decreased the monthly contributory salary payments to 36.3% of pensionable salary since 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 2015 employee contributions were **8.0%** (2014: 6.5%) of monthly pensionable salary. The Group expects to make employer contributions of around **£1.0m** (2014: £1.9m) to the Scheme in the year to 31 March 2016.

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	2015 £m	2014 £m
Analysis of the amount charged to operating profit		
Current service cost	**0.9**	0.8
Scheme administrative costs	**0.2**	0.2
Charge to operating profit	**1.1**	1.0
Analysis of amount credited to interest expense		
Interest income on plan assets	**(8.3)**	(8.3)
Interest on defined benefit scheme liabilities	**8.1**	7.9
Net credit to interest expense	**(0.2)**	(0.4)

Analysis of the amounts recognised in other comprehensive income

Group	2015 £m	2014 £m
Analysis of gains and losses		
Net re-measurement gains/(losses) on scheme assets	**26.7**	(4.6)
Net re-measurement losses on scheme liabilities	**(23.0)**	(3.2)
Re-measurement gains/(losses)	**3.7**	(7.8)
Cumulative re-measurement losses recognised in other comprehensive income	**(44.7)**	(48.4)

The net surplus recognised in respect of the defined benefit scheme can be analysed as follows:

Group	2015 %	2015 £m	2014 %	2014 £m
Equities	**17**	**39.8**	36	71.3
Bonds – Government	**47**	**106.9**	27	52.4
Bonds – Corporate	**26**	**58.1**	25	48.8
Insurance contracts	**8**	**18.9**	11	22.5
Cash and cash equivalents	**2**	**3.6**	1	1.0
Fair value of scheme assets	**100**	**227.3**	100	196.0
Fair value of scheme liabilities		**(220.3)**		(193.7)
Net pension surplus		**7.0**		2.3

Insurance contracts are annuities which 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** (2014: £0.1m).

The defined benefit scheme liabilities are split **14%** (2014: 13%) in respect of active scheme participants, **33%** (2014: 31%) in respect of deferred scheme participants, and **53%** (2014: 56%) in respect of retirees. The weighted average duration of the defined benefit scheme liabilities at 31 March 2015 is **17.8** years (2014: 16.9 years).

34. Net pension surplus continued

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	2015 %	2014 %
Rate of increase in pensionable salaries	**3.20**	3.60
Rate of increase in pensions with no cap	**3.20**	3.60
Rate of increase in pensions with 5% cap	**3.10**	3.45
Discount rate	**3.10**	4.25
Inflation – Retail Price Index	**3.20**	3.60
– Consumer Price Index	**2.40**	2.80

The mortality assumptions used in this valuation were:

Group	2015 Years	2014 Years
Life expectancy at age 60 for current pensioners – Men	**31.3**	31.1
– Women	**32.4**	32.3
Life expectancy at age 60 for future pensioners (current age 40) – Men	**34.1**	33.9
– Women	**34.3**	34.2

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 1.9% or £4.1m
Rate of mortality	Increase by 1 year	Increase by 2.7% or £5.9m
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 1.7% or £3.8m

In order to reduce risk within the Scheme, **8%** (2014: 10%) of the Scheme's assets are invested in annuities that match the liabilities of some pensioners. The bonds that the Scheme holds are designed to match a significant proportion of the Scheme's liabilities and the Scheme has hedged over 70% of the inflation and interest rate risks (when measured on a gilts flat discount rate) that it is exposed to.

The Company did not operate any defined contribution schemes or defined benefit schemes during the financial year ended 31 March 2015 or in the previous financial year.

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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 or service criteria will not be met.

The total cost recognised in the income statement was **£6.0m** in the year ended 31 March 2015 (2014: £5.5m). The following table analyses the total cost among each of the relevant schemes, together with the number of options outstanding.

		Outstanding at 31 March		
	2015 Charge £m	**2015 Number (millions)**	2014 Charge £m	2014 Number (millions)
Long-term incentive plan	**3.2**	**2.5**	3.3	2.1
Deferred bonus share scheme	**0.9**	**0.1**	1.4	0.2
Conditional shares	**1.3**	**0.3**	0.1	–
Executive share option schemes	**0.4**	**2.1**	0.5	2.7
Savings related share option schemes	**0.2**	**0.4**	0.2	0.4
	6.0	**5.4**	5.5	5.4

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 58 to 78.

Executive schemes:

Long-Term Incentive Plan (LTIP)

The LTIP is open to Executive Directors and senior management, 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 **1,044p** (2014: 938p). The estimated fair value of awards granted during the year under the scheme was **£3.5m** (2014: £4.1m).

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 Benefit Trust (EBT), which are issued at nil consideration. The weighted average share price at the date of vesting during the year was **1,019p** (2014: 960p). The estimated fair value of awards granted during the year under the scheme was **£0.7m** (2014: £1.4m).

Conditional shares

Discretionary share awards were made under the Land Securities Share Award Plan 2014 on 1 July 2014. The awards were granted to certain employees over ordinary shares in the Company and were determined by reference to the average of the middle market quotation three days prior to the date of grant. The awards vest after two years and are subject to continued employment at the date of vesting and individual performance conditions to the date of vesting.

Other schemes:

Executive share option schemes (ESOS)

The 2005 ESOS is open to managers 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 EBT. Options lapse ten years after the date of grant. The weighted average share price at the date of exercise for shares exercised during the year was **1,130p** (2014: 960p). The estimated fair value of options granted during the year under the scheme was **£0.5m** (2014: £0.5m).

Savings related share option schemes

Under the Savings related share option schemes, Executive Directors and eligible employees are invited to make regular monthly contributions into a Sharesave scheme operated by 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 **1,067p** (2014: 951p). The estimated fair value of options granted during the year under the scheme was **£0.5m** (2014: £0.1m).

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	
	2015 Number (millions)	2014 Number (millions)	2015 Number (millions)	2014 Number (millions)	2015 Pence	2014 Pence
At the beginning of the year	**2.3**	2.6	**3.1**	3.7	**834.0**	764.0
Granted	**1.2**	1.1	**0.7**	0.7	**710.0**	906.0
Exercised	**(0.3)**	(0.9)	**(1.1)**	(1.0)	**746.0**	608.0
Forfeited	**(0.2)**	(0.5)	**(0.3)**	(0.2)	**937.0**	877.0
Lapsed	**–**	–	**–**	(0.1)	**837.0**	863.0
At 31 March	**3.0**	2.3	**2.4**	3.1	**825.0**	834.0
Exercisable at the end of the year	**–**	–	**–**	1.0	**975.0**	943.0
	Years	Years	**Years**	Years		
Weighted average remaining contractual life	**1.1**	1.4	**6.0**	5.9		

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 2015			Outstanding at 31 March 2014		
Exercise price – range Pence	**Weighted average exercise price Pence**	**Number of awards Number (millions)**	**Weighted average remaining contractual life Years**	Weighted average exercise price Pence	Number of awards Number (millions)	Weighted average remaining contractual life Years
Nil[2]	**–**	**3.0**	**1.1**	–	2.3	1.4
200–399	**388**	**–**	**–**	388	0.1	0.9
400–599	**538**	**0.3**	**3.0**	530	0.6	4.6
600–799	**745**	**0.6**	**6.6**	740	0.7	7.2
800–999	**868**	**0.8**	**6.6**	874	1.1	8.3
1,000–1,199	**1,067**	**0.6**	**7.8**	1,075	0.4	2.8
1,200–1,399	**1,280**	**–**	**–**	1,280	0.1	1.3
1,400–1,565	**1,563**	**0.1**	**2.0**	1,563	0.1	3.0

2. 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	2005 ESOS	Savings Related Share Option Scheme
Share price at grant date	1,039p	1,021p	1,039p	1,039p	1,061p
Exercise price	n/a	n/a	n/a	n/a	849p
Expected volatility	20%	20%	20%	20%	20%
Expected life	3 years	1 to 2 years	2 years	3 years	3 to 5 years
Risk-free rate	1.29%	0.46% to 0.82%	0.90%	1.28%	1.25% to 2.08%
Expected dividend yield	3.06%	nil	3.06%	3.03%	3.00%

Expected volatility is determined by calculating the historic volatility of the Group's share price over the previous ten years. The expected life used in the model has been determined based upon management's best estimate for the effects of non-transferability, vesting/exercise restrictions and behavioural considerations. Risk-free rate is the yield at the date of the grant of an award on a gilt-edged stock with a redemption date equal to the anticipated vesting of that award.

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 the scheme are as follows:

	Share price at date of grant	Exercise price	Expected volatility – Group	Expected volatility – index of comparator companies	Correlation – Group vs. index
2005 LTIP	1,039p	n/a	20%	20%	85%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015 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 acquired by the Employee Benefit Trust (EBT) 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	**2015 £m**	2014 £m
Ordinary shares of 10p each	**80.1**	79.9

	Number of shares	
	2015	2014
At the beginning of the year	**799,160,367**	792,070,935
Issued on the exercise of options	**224,084**	199,556
Issued in lieu of cash dividends	**1,648,312**	6,889,876
At 31 March	**801,032,763**	799,160,367

The number of options over ordinary shares that were outstanding at 31 March 2015 was **3,329,100** (2014: 3,114,814). If all the options were exercised at that date then **441,560** new ordinary shares (2014: 588,517 new ordinary shares) would be issued and **2,887,540** shares would be required to be transferred from the EBT (2014: 2,526,297).

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 2015, no ordinary shares (2014: nil) were acquired to be held as treasury shares. At 31 March 2015 the Group held **10,495,131** ordinary shares (2014: 10,495,131) with a market value of **£131.5m** (2014: £108.5m) in treasury.

37. Own shares

Group	2015 £m	2014 £m
At the beginning of the year	**9.2**	7.7
Acquisition of ordinary shares	**11.8**	16.3
Transfer of shares to employees on exercise of share options	**(9.9)**	(14.8)
At 31 March	**11.1**	9.2

Own shares consist of shares in Land Securities Group PLC held by the EBT 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 EBT at 31 March 2015 was **1,012,983** (2014: 1,031,952). The market value of these shares at 31 March 2015 was **£12.7m** (2014: £10.7m).

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	2015 £m	2014 £m
Transactions with subsidiary undertakings:		
Recharge of costs	**(235.7)**	(187.7)
Interest paid	**(48.4)**	(39.9)

At 31 March 2015, the Company had a net outstanding balance of **£1,096.1m** (2014: £812.0m) due to subsidiary undertakings.

39. Related party transactions continued

Joint arrangements

As disclosed in note 16, the Group has investments in a number of joint arrangements. Details of transactions and balances between the Group and its joint arrangements are disclosed as follows:

	Year ended and as at 31 March 2015				Year ended and as at 31 March 2014			
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	**15.4**	**22.1**	**29.8**	**(3.0)**	10.5	60.5	15.7	–
Nova, Victoria[1]	**12.6**	**53.1**	**24.7**	**(2.0)**	10.2	40.7	15.6	–
Metro Shopping Fund Limited Partnership	**0.1**	**4.0**	**0.1**	**–**	0.1	(0.8)	0.4	–
Buchanan Partnership[2]	**2.6**	**(0.8)**	**–**	**–**	4.4	(3.4)	0.6	–
St. David's Limited Partnership	**1.3**	**62.7**	**0.3**	**(0.1)**	1.2	(10.0)	–	–
Bristol Alliance Limited Partnership[3]	**0.7**	**(8.6)**	**–**	**–**	1.1	(16.1)	0.4	(0.1)
Harvest[4]	**1.5**	**(42.3)**	**1.1**	**–**	1.8	13.3	1.6	(0.4)
The Oriana Limited Partnership	**–**	**(25.0)**	**0.1**	**(0.1)**	0.2	–	0.1	–
The Scottish Retail Property Limited Partnership	**–**	**–**	**–**	**–**	1.9	(2.7)	–	–
Westgate Oxford Alliance Limited Partnership	**2.5**	**10.7**	**1.9**	**–**	0.8	3.1	0.1	–
The Martineau Galleries Limited Partnership	**0.3**	**(0.6)**	**0.1**	**–**	0.2	(0.4)	–	–
The Ebbsfleet Limited Partnership	**–**	**0.3**	**–**	**–**	0.1	0.4	–	–
Millshaw Property Co. Limited	**(0.5)**	**–**	**–**	**(12.0)**	(0.4)	–	–	(11.5)
Countryside Land Securities (Springhead) Limited	**–**	**0.2**	**–**	**–**	–	0.6	–	–
West India Quay Unit Trust	**0.1**	**–**	**–**	**0.7**	0.1	(1.7)	0.3	(2.2)
	36.6	**75.8**	**58.1**	**(16.5)**	32.2	83.5	34.8	(14.2)

1. Nova, Victoria includes the Victoria Circle Limited Partnership and Nova Residential Limited Partnership.
2. On 31 October 2014, the Group acquired the remaining 50% interest in Buchanan Galleries, Glasgow from its joint venture partner, therefore the table above only represents the related party transactions in the year up to this date.
3. On 30 October 2014, the Group disposed of its interest in the Bristol Alliance Limited Partnership, therefore the table above only represents the related party transactions in the year up to this date.
4. Harvest includes The Harvest Limited Partnership and Harvest Two Limited Partnership.

Remuneration of key management personnel

The remuneration of the Directors and Managing 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 61 to 78.

	2015 £m	2014 £m
Short-term employee benefits	**4.8**	5.0
Share-based payments	**2.7**	3.2
	7.5	8.2

40. Operating lease arrangements

Accounting policy

The Group earns rental income by leasing its 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:

	2015 £m	2014 £m
Not later than one year	**500.6**	485.0
Later than one year but not more than five years	**1,953.6**	1,867.7
More than five years	**3,900.1**	3,261.5
	6,354.3	5,614.2

The total of contingent rents recognised as income during the year was **£41.2m** (2014: £38.9m).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015 continued

41. Business combinations

The Group has accounted for the following transactions in accordance with IFRS 3 'Business Combinations' and therefore applied purchase accounting. Further details on each acquisition is below:

Bluewater, Kent

On 24 June 2014, the Group acquired 100% of the ordinary share capital of Greenhithe Holdings Limited (GHL) for a cash consideration of £694.3m from Lend Lease Bluewater Limited. The Group incurred £2.7m of business combination costs in connection with the transaction. GHL owned, through its subsidiary undertakings, a 30% interest in Bluewater, a shopping centre in Kent, full asset management rights for the centre and 110 acres of surrounding land.

On acquisition, the Group recognised an intangible asset of £30.0m, representing the estimated fair value of the management rights for the centre, together with a corresponding deferred tax liability of £6.0m. The intangible asset is being amortised over a period of 20 years.

Goodwill of £35.5m arose on the transaction, primarily representing the difference between the value of the investment property attributed by our external valuers, and the consideration paid. The difference is largely due to prospective purchasers' costs, which are deducted by the external valuer in determining the investment property value, as well as a lower value being attributed to the 110 acres of surrounding land, where management felt it was appropriate to pay a premium for the land on the basis of its long-term potential and its adjacency to the Group's land at Ebbsfleet. The Group has considered whether this element of the goodwill is recoverable, and has concluded that it is not. The purchasers' costs could potentially be recovered if a future sale was structured through a corporate transaction, but the Group does not consider there to be sufficient certainty to deem this element of the goodwill to be recoverable. Similarly, the Group's longer term plans for the outer land and the potential synergies with the Group's existing holdings are at an early stage, making the recoverable amount uncertain at this time. £29.5m of goodwill has therefore been written off to the income statement in the year.

The remaining goodwill of £6.0m represents goodwill arising on the deferred tax liability. The deferred tax liability will be released to the income statement as the intangible asset is amortised, and the corresponding element of the goodwill will be tested for impairment. At 31 March 2015, the carrying value of both the deferred tax liability and the goodwill was £5.8m.

Buchanan Galleries, Glasgow

On 31 October 2014, the Group acquired the remaining 50% interest in Buchanan Galleries from its joint venture partner, The Henderson UK Shopping Centre Fund, for total consideration of £137.1m. The consideration consisted of a net cash consideration of £9.2m as well as the Group's interests in certain investment properties within its Exeter joint operation, in particular Princesshay, together with associated working capital for a total acquisition date fair value of £127.9m.

Buchanan Galleries currently totals 600,000 sq ft of prime retail space and the Group has planning consent for a leisure and retail extension which would extend the centre to 1.2m sq ft of retail, leisure and restaurant space.

The fair value of the consideration paid was less than the value of the identifiable assets and, as a result, a gain of £2.2m has been recognised in the income statement on acquisition within net gain on business combinations. In addition, £6.1m of transaction related costs are included within costs. The gain on business combination of £2.2m reflects a £0.6m gain on bargain purchase and a £1.6m gain on revaluation of our existing interest at the date of acquisition.

41. Business combinations continued

The fair value of the assets and liabilities recognised at the date of acquisition is set out in the table below:

Group	Bluewater 30% £m	Buchanan Galleries 100% £m	Total £m
Assets			
Investment property	635.8	275.0	910.8
Intangible asset	30.0	–	30.0
Cash	2.8	1.4	4.2
Trade receivables (Note 1)	6.7	0.7	7.4
Other receivables	1.0	–	1.0
Total assets	**676.3**	**277.1**	**953.4**
Liabilities			
Trade and other payables	(4.7)	(0.1)	(4.8)
Accruals and deferred income	(6.8)	(1.6)	(8.4)
Deferred tax	(6.0)	–	(6.0)
Total liabilities	**(17.5)**	**(1.7)**	**(19.2)**
Net assets	**658.8**	**275.4**	**934.2**
Fair value of consideration paid	694.3	137.1	831.4
Fair value of previously held interest	–	136.1	136.1
	694.3	**273.2**	**967.5**
Goodwill/(gain on business combination) recognised	**35.5**	**(2.2)**	**33.3**
Goodwill impairment	29.5	–	29.5
Net gain on business combination	–	(2.2)	(2.2)
Business combination costs	2.7	6.1	8.8
Total loss on business combination recognised in the income statement	**32.2**	**3.9**	**36.1**
Note 1:			
Gross contractual amount for trade receivables	7.0	0.7	7.7
Less amounts expected to be irrecoverable	(0.3)	–	(0.3)
Trade receivables	**6.7**	**0.7**	**7.4**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2015 continued

41. Business combinations continued

Pro forma information
Since the date of acquisition, the acquisitions have contributed the following to the revenue of the Group and the profit after tax for the year:

	Bluewater £m	Buchanan Galleries £m	Total £m
Revenue	27.2	9.3	36.5
Profit after tax	12.8	1.9	14.7

If the acquisitions had been made on 1 April 2014, revenue and profit after tax would have been higher by £14.0m and £7.9m respectively.

In calculating the pro forma information, the results of the acquired entities for the period before acquisition have been adjusted to reflect Land Securities' accounting policies and any 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 financial year, or indicative of future results of the combined Group.

Intangible asset and deferred tax liability
The following table shows the movement in intangible assets, together with the associated deferred tax liability:

	Goodwill £m	Other intangible asset £m	Total intangible asset £m	Deferred tax liability[1] £m
At 1 April 2014	–	–	–	–
Arising on business combination – Bluewater	**35.5**	**30.0**	**65.5**	**(6.0)**
Impairment of goodwill arising on acquisition	**(29.5)**	–	**(29.5)**	–
Amortisation of intangible asset	–	**(1.1)**	**(1.1)**	–
Impairment of goodwill on unwind of deferred tax liability	**(0.2)**	–	**(0.2)**	–
Unwind of deferred tax liability	–	–	–	**0.2**
At 31 March 2015	**5.8**	**28.9**	**34.7**	**(5.8)**

1. This represents the deferred tax liability arising on business combinations only.

42. Non-current assets held for sale

On 23 March 2015, the Group exchanged contracts for the sale of Times Square, EC4 for consideration of £284.6m. The risks and returns of ownership had not fully transferred to the buyer as at 31 March 2015. As a result the property was classified as a Non-current asset held for sale with a carrying value of **£283.4m**.

43. Events after the reporting period

There are no reportable events after the reporting period.

ADDITIONAL INFORMATION

BUSINESS ANALYSIS

A closer look at some of our key performance indicators.

For more information go to: pages 138–151

FIVE YEAR SUMMARY

The Group's financial performance since 2011.

For more information go to: pages 152–153

INVESTOR INFORMATION

Useful dates and contact details for shareholders.

For more information go to: pages 154–155

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 30–33

Performance relative to IPD

Table 62

Total property returns – year to 31 March 2015	Land Securities %	IPD[1] %
Retail – Shopping centres	19.8	15.2
– Retail warehouses	8.5[2]	13.2
Central London shops	23.8	28.9
Central London offices	28.4	22.6
Total portfolio	**23.0[3]**	**17.1**

1. IPD Quarterly Universe. 2. Including supermarkets. 3. Including leisure, hotel portfolio and other.

Combined Portfolio value by location at 31 March 2015

Table 63

	Shopping centres and shops %	Retail warehouses %	Offices %	Hotels, leisure, residential and other %	Total %
Central, inner and outer London	13.5	0.2	45.1	3.7	62.5
South East and East	9.2	4.3	–	0.7	14.2
Midlands	–	0.9	–	0.8	1.7
Wales and South West	2.4	0.5	–	4.3	7.2
North, North West, Yorkshire and Humberside	7.2	2.1	0.1	1.2	10.6
Scotland and Northern Ireland	2.8	0.8	–	0.2	3.8
Total	**35.1**	**8.8**	**45.2**	**10.9**	**100.0**

% figures calculated by reference to the Combined Portfolio value of £14.0bn.

Total shareholder returns[1]

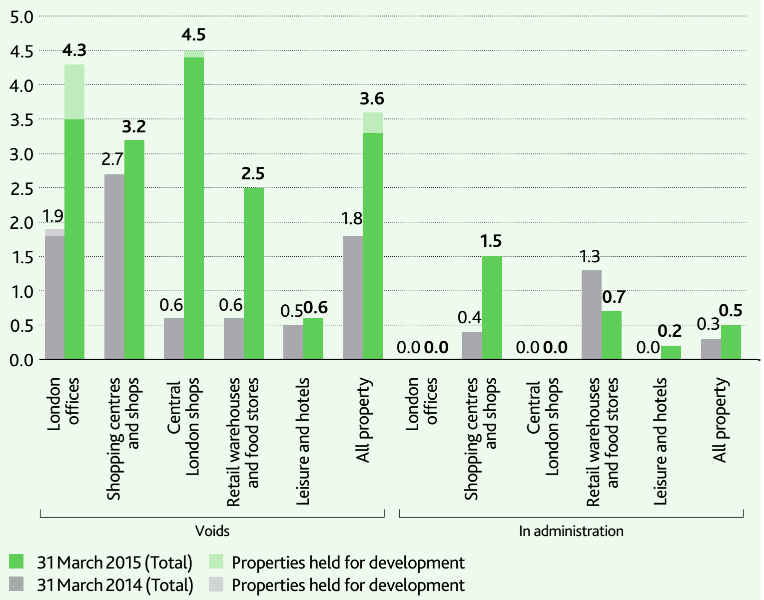
Table 64

	Over one year to 31 March 2015 £
Land Securities	**126.3**
FTSE 100	**106.3**
FTSE 350 Real Estate Index	**122.8**

1. Historical TSR performance for a hypothetical investment of £100.
Source: New Bridge Street

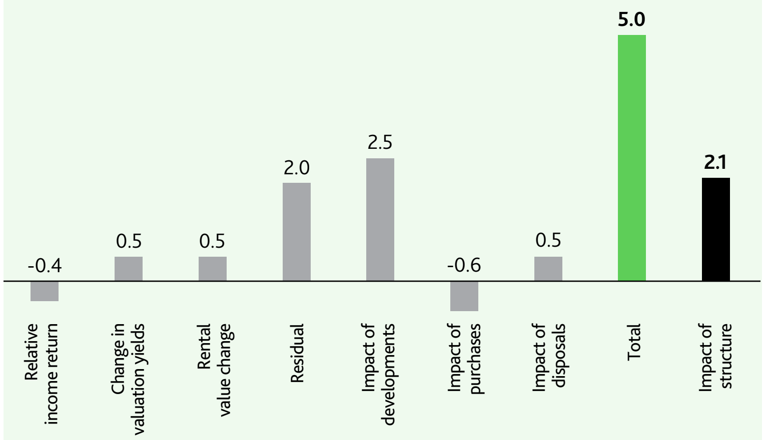
Voids and units in administration like-for-like portfolio (%)

Chart 65



Analysis of performance relative to IPD (%)

Chart 66



Attribution analysis, ungeared total return, 12 months to 31 March 2015, relative to IPD Quarterly Universe.
Source: IPD

For more information go to:
pages 94–95

Reconciliation of segment reporting to statutory reporting

Table 67

The table below reconciles the Group's income statement to the segment note (note 4). 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. This is consistent with the financial information reviewed by management.

						31 March 2015
£m	Group income statement	Joint ventures[1]	Proportionate share of earnings[2]	Total	Revenue profit	Capital and other items
Rental income	575.7	70.6	(3.0)	643.3	643.3	–
Finance lease interest	10.3	0.1	–	10.4	10.4	–
Gross rental income (before rents payable)	**586.0**	**70.7**	**(3.0)**	**653.7**	**653.7**	**–**
Rents payable	(11.3)	(1.6)	–	(12.9)	(12.9)	–
Gross rental income (after rents payable)	**574.7**	**69.1**	**(3.0)**	**640.8**	**640.8**	**–**
Service charge income	90.4	9.7	(0.7)	99.4	99.4	–
Service charge expense	(91.2)	(11.0)	0.6	(101.6)	(101.6)	–
Net service charge (expense)/income	(0.8)	(1.3)	(0.1)	(2.2)	(2.2)	–
Other property related income	34.4	1.8	–	36.2	36.2	–
Direct property expenditure	(65.1)	(10.6)	0.4	(75.3)	(75.3)	–
Net rental income	**543.2**	**59.0**	**(2.7)**	**599.5**	**599.5**	**–**
Indirect expenses	(92.1)	(2.7)	–	(94.8)	(94.8)	–
Other income	4.1	–	–	4.1	4.1	–
	455.2	**56.3**	**(2.7)**	**508.8**	**508.8**	**–**
Loss on disposal of trading properties	(11.3)	–	–	(11.3)	–	(11.3)
Profit on disposal of trading properties	29.8	1.7	–	31.5	–	31.5
Profit on disposal of investment properties	107.1	25.6	–	132.7	–	132.7
Profit on disposal of investments in joint ventures	3.3	–	–	3.3	–	3.3
Net surplus on revaluation of investment properties	1,770.6	269.2	(2.9)	2,036.9	–	2,036.9
Impairment of trading properties	1.9	(0.3)	–	1.6	–	1.6
Amortisation of intangible asset	(1.1)	–	–	(1.1)	–	(1.1)
Business combination costs	(8.8)	–	–	(8.8)	–	(8.8)
Operating profit	**2,346.7**	**352.5**	**(5.6)**	**2,693.6**	**508.8**	**2,184.8**
Interest expense	(215.2)	(25.9)	–	(241.1)	(209.1)	(32.0)
Interest income	29.4	–	–	29.4	29.4	–
Fair value movement on interest rate swaps	(34.0)	(0.8)	–	(34.8)	–	(34.8)
Fair value movement on foreign exchange swaps	(5.1)	–	–	(5.1)	–	(5.1)
Foreign exchange movement on borrowings	4.9	–	–	4.9	–	4.9
Revaluation of redemption liabilities	(8.5)	–	5.6	(2.9)	–	(2.9)
Net gain on business combinations	2.2	–	–	2.2	–	2.2
Impairment of goodwill	(29.7)	–	–	(29.7)	–	(29.7)
	2,090.7	**325.8**	**–**	**2,416.5**	**329.1**	**2,087.4**
Share of post-tax profit from joint ventures	325.8	(325.8)	–	–	–	–
Profit before tax	**2,416.5**	**–**	**–**	**2,416.5**	**329.1**	**2,087.4**
Income tax	0.3	–	–	0.3	–	0.3
Profit for the year	**2,416.8**	**–**	**–**	**2,416.8**	**329.1**	**2,087.7**

1. Re-allocation 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 non-wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in revenue profit reported in the segment note.

BUSINESS ANALYSIS – GROUP

To read our Financial Review go to: pages 26–29

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 68 below.

REIT balance of business

Table 68

	For the year ended 31 March 2015			For the year ended 31 March 2014		
	Tax-exempt business	**Residual business**	**Adjusted results**	Tax-exempt business	Residual business	Adjusted results
Profit before tax (£m)[1]	**305.5**	**24.8**	**330.3**	293.0	12.0	305.0
Balance of business – 75% profits test	**92.5%**	**7.5%**		96.1%	3.9%	
Adjusted total assets (£m)[1]	**14,081.2**	**960.6**	**15,041.8**	11,622.1	838.4	12,460.5
Balance of business – 75% assets test	**93.6%**	**6.4%**		93.3%	6.7%	

1. Calculated according to REIT rules.

Cost analysis

Table 69

Gross rental income (after rents payable)	640.8	
Net service charge expense	(2.2)	Direct property costs £41.3m
Direct property expenditure	(39.1)	Direct property costs £41.3m
Net rental income	**599.5**	
Indirect costs	(51.3)	Indirect expenses £90.7m
Segment profit before interest	**548.2**	
Unallocated expenses (net)	(39.4)	Indirect expenses £90.7m
Net interest – Group	(155.4)	
Net interest – joint ventures	(24.3)	
Revenue profit	**329.1**	
	Total	**£132.0m**
	Total cost ratio[1]	**20.2%**

	Year ended 31 March 2015		Year ended 31 March 2014	
	Total £m	**Cost ratio %[1]**	Total £m	Cost ratio %[1]
Managed operations	**8.6**	**1.3**	9.7	1.5
Tenant default	**7.2**	**1.1**	5.3	0.8
Void related costs	**11.1**	**1.8**	11.7	1.9
Other direct property costs	**7.8**	**1.2**	3.9	0.6
Development expenditure	**30.9**	**4.7**	25.9	4.0
Asset management, administration and compliance	**66.4**	**10.1**	64.6	10.0
Total	**132.0**	**20.2**	121.1	18.8

1. All percentages represent costs divided by gross rental income including finance leases, before rents payable.

EPRA performance measures

Table 70

			31 March 2015	
	Definition for EPRA measure	Notes	**Land Securities measure**	**EPRA measure**
Adjusted earnings	Recurring earnings from core operational activity[1]	11	**£329.1m**	**£296.3m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares[1]	11	**41.7p**	**37.5p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares[1]	11	**41.5p**	**37.4p**
Adjusted net assets	Net asset value adjusted to exclude fair value movements on interest-rate swaps[2]	10	**£10,254.4m**	**£10,646.1m**
Adjusted diluted net assets per share	Adjusted diluted net assets per share[2]	10	**1,293p**	**1,342p**
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	10	**£9,439.2m**	**£9,439.2m**
Diluted triple net assets per share	Diluted triple net assets per share	10	**1,190p**	**1,190p**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[3]		**4.35%**	**4.38%**
Topped-up NIY	NIY adjusted for rent-free periods[3]		**4.63%**	**4.63%**
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme[4]		**3.60%**	**3.60%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)[5]		**20.2%**	**20.6%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)[5]		**n/a**	**18.9%**

Refer to notes 10, 11 and table 102 for further analysis.

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the effect of bond exchange de-recognition charges of £21.5m.
2. EPRA adjusted net assets and adjusted diluted net assets per share include the bond exchange de-recognition adjustment of £391.7m.
3. Our NIY and Topped-up NIY relate to the Combined Portfolio, excluding properties in the development programme that have not yet reached practical completion, and are calculated by our external valuers. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours, but exclude the full 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 costs ratio see table 69.

Top 12 occupiers at 31 March 2015 — Table 71

	% of Group rent[1]
Accor	5.0
Central Government (including Queen Anne's Gate, SW1)[2]	4.7
Deloitte	2.6
Primark	2.1
Boots	1.5
Bank of New York Mellon	1.4
Taylor Wessing	1.4
Next	1.4
Arcadia Group	1.2
Sainsbury's	1.2
Cineworld	1.2
K & L Gates	1.1
	24.8

1. On a proportionate basis.
2. Rent from Central Government excluding Queen Anne's Gate, SW1, is 0.1%.

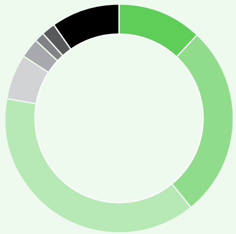
Calculation of required property income distribution (PID) — Table 72

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Profit before tax per accounts	**2,416.5**	1,108.9
Adjustment to exclude		
Net surplus on revaluation of investment properties	**(2,036.9)**	(763.8)
Profit on disposal of investment properties	**(132.7)**	(16.0)
Profit on disposal of trading properties	**(31.5)**	(2.4)
(Profit)/loss on long-term development contracts	**11.3**	(1.0)
Trading property impairment release	**(1.6)**	(5.0)
Interest income	**(29.4)**	(25.2)
Fair value movement on interest rate swaps and foreign exchange movements	**35.0**	(15.2)
Net gain on business combination	**(2.2)**	(5.0)
Adjustment for proportionate share of results	**(5.6)**	(5.0)
Fair value movement on redemption liability	**8.5**	5.6
Profit on disposal of investments in joint ventures	**(3.3)**	–
Joint venture accounting adjustments	**–**	0.3
Fair value movement on long-term liabilities	**4.4**	–
Impairment of goodwill	**29.7**	–
Amortisation of intangible asset	**1.1**	–
Business combination costs	**8.8**	–
	272.1	276.2
Tax adjustments		
Capital allowances	**(49.7)**	(40.5)
Capitalised interest	**(21.8)**	(18.3)
Cumulative tax adjustments and removal of net residual tax loss	**24.2**	2.9
Estimated tax exempt income for year	**224.8**	220.3
PID thereon (90%)	**202.3**	198.3
PID dividends paid in the year	**214.8**	175.4

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.

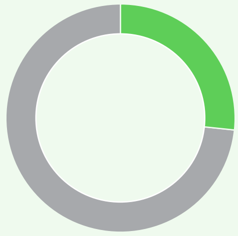
For more information about our dividend go to: page 28

Contracted rental income breakdown by occupier business sector (%) — Chart 73



Financial services	12.0
Services	27.2
Retail trade	38.8
Public administration	6.4
Manufacturing	2.6
Transport comms	1.6
Wholesale trade	1.8
Other	9.6

Floor space (million sq ft) — Chart 74

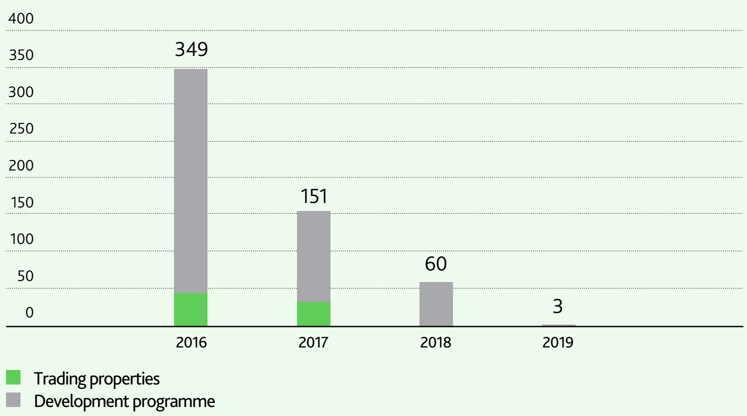


London Portfolio	6.93
Retail Portfolio	19.59
Total	26.52

Portfolio by value and number of property holdings at 31 March 2015 — Table 75

£m	Value %	Number of properties
0–9.99	1.2	42
10–24.99	2.3	19
25–49.99	6.9	25
50–99.99	11.0	22
100–149.99	10.3	12
150–199.99	8.6	7
200+	59.7	18
Total	**100.0**	**145**

Committed development – estimated future spend (£m) — Chart 76



Estimated future spend includes the cost of residential space but excludes interest.

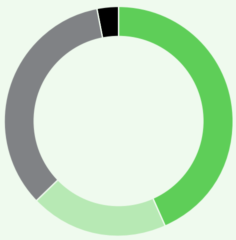
For more information about our development pipeline go to: pages 14–15 and 150–151

BUSINESS ANALYSIS – RETAIL

To read our Retail Portfolio Review go to: pages 30–31

Retail Portfolio valuation % — Chart 77

Retail Portfolio floor space (19.59m sq ft) — Chart 78



Shopping centres and shops

Comprises our portfolio of 13 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 13 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 seven stand-alone leisure assets and a 95% share of the X-Leisure Fund which comprises 16 schemes of prime leisure and entertainment space.

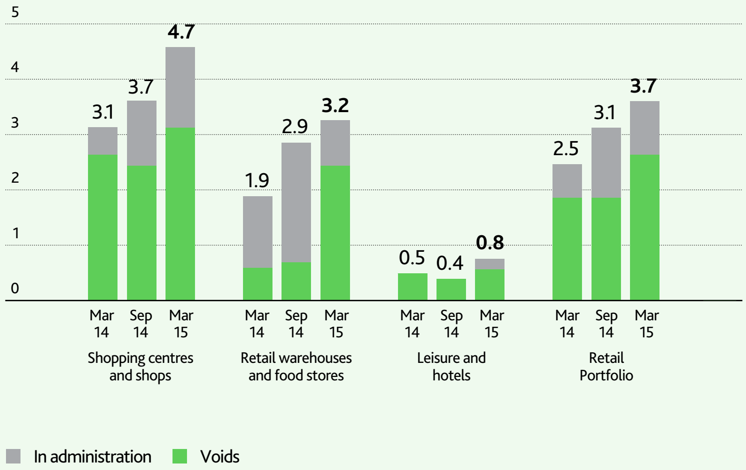
We also own 29 Accor Group hotels in the UK. They are leased back to Accor Group for 76 years, with 12-yearly break clauses. Rent is set as a percentage of each hotel's turnover.

Top 10 retail customers — Table 79

	% of Group rent
Primark	2.1
Boots	1.5
Next	1.4
Arcadia Group	1.2
Sainsbury's	1.2
Cineworld	1.2
Dixons Retail	1.0
M&S	0.9
H&M	0.9
Home Retail Group PLC	0.8
	12.2
Retail other (excluding Accor)	40.5
Total	**52.7**

Voids and units in administration — Chart 80

Like-for-like Retail Portfolio %
Year ended 31 March 2015



Rental and capital value trends — Chart 81

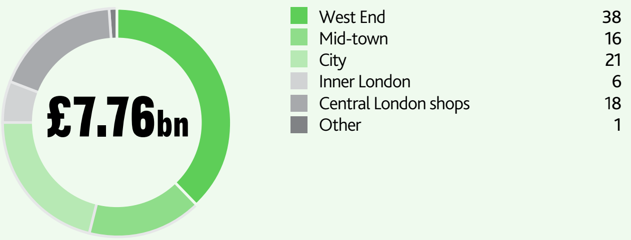
Like-for-like Retail Portfolio %
Year ended 31 March 2015

1. Rental value change excludes units materially altered during the year.

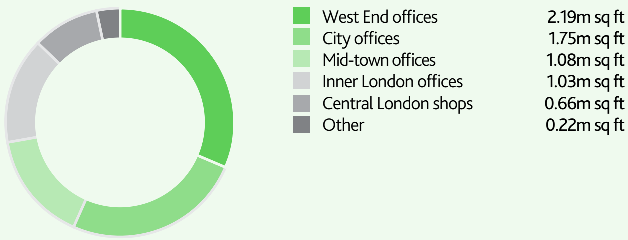
BUSINESS ANALYSIS – LONDON

To read our London Portfolio Review go to: pages 32–33

London Portfolio valuation % Chart 82



London Portfolio floor space (6.93m sq ft) Chart 83



West End
Our £2.9bn West End office portfolio is dominated by our Victoria assets which include Queen Anne's Gate, SW1, Cardinal Place, SW1 and developments including 62 Buckingham Gate, SW1, 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 £1.6bn City office portfolio includes assets such as One New Change, EC4 and the development programme schemes including 20 Fenchurch Street, EC3 and 1 & 2 New Ludgate, EC4.

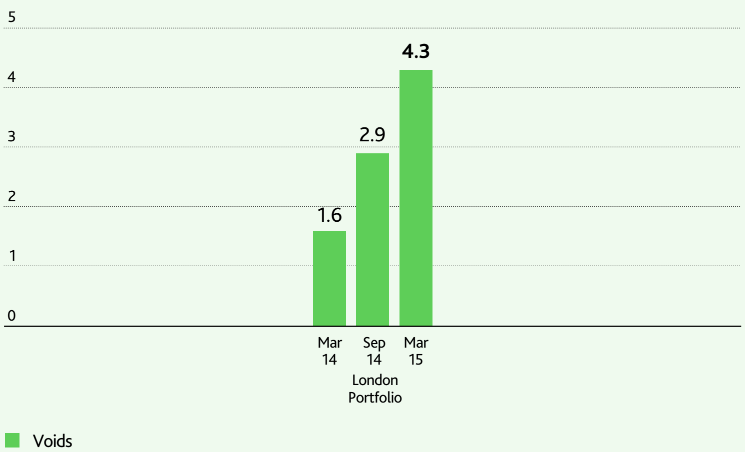
Inner London
Includes our assets at Thomas More Square, E1, and Docklands, E14.

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.

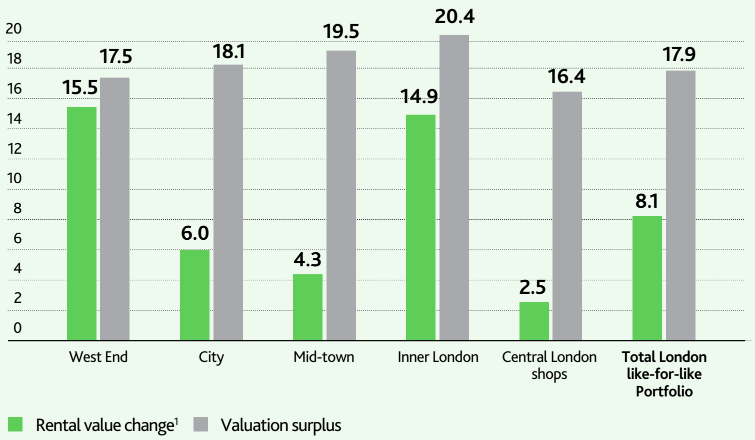
Top 10 office customers Table 84

	% of Group rent
Central Government (including Queen Anne's Gate, SW1)	4.7
Deloitte	2.6
Bank of New York Mellon	1.4
Taylor Wessing	1.4
K&L Gates	1.1
EDF Energy	1.0
Redbus Interhouse	1.0
Microsoft	0.8
Bain & Co Inc	0.8
Lloyds Banking Group Plc	0.7
	15.5
Office other	18.3
Total	**33.8**

Voids and units in administration Chart 85
Like-for-like London Portfolio %
Year ended 31 March 2015



Rental and capital value trends Chart 86
Like-for-like London Portfolio %
Year ended 31 March 2015



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

SUSTAINABILITY AND RESPONSIBILITY: PERFORMANCE AGAINST KEY TARGETS

In order to be a sustainable business we look beyond short-term financial goals and recognise the need to balance the creation of shareholder value over time with wider social and environmental objectives. Our aim is to be the leader in the UK-listed real estate sector.

We have recently undertaken a comprehensive external review of our approach which, coupled with the fact we have met a number of our environmental targets ahead of time, has resulted in a series of nine long-term commitments. We believe they are enduring and demanding; they each involve stretching targets or clear objectives. Early progress against these are outlined below; more can be learned from our Sustainability Report at www.landsecurities.com/sustainability.

Development

Commitment: design all our new developments to meet or exceed best practice guidelines for carbon emissions and the use of energy, water and materials.

Table 87

Key measures	Performance highlights
Outperform Part L of the Building Regulations	On-site developments are performing well against previous Part L Building Regulations 2010 target. Developments in design are targeting performance against their Part L Building Regulations 2013 target
BREEAM 'Very Good' for retail schemes BREEAM 'Excellent' for office schemes	On-site developments are meeting their targeted rating (BREEAM 'Very Good' for offices and retail). Developments in design are making good progress towards their targeted rating (BREEAM 'Excellent' for offices and 'Very Good' for retail)
Embodied carbon performance	In the first phases of assessing at Westgate, Oxford. We have set a 15% reduction target for new developments
Performance against our own Ultra Low Carbon standard	Westgate, Oxford, and Zig Zag, SW1, are on target to meet or exceed Ultra Low Carbon design standard

Energy

Commitment: reduce the absolute energy consumption of our five largest energy-consuming managed buildings by 15% by 2020 against a 2014 baseline.

Table 88

Key measures: energy performance of the following	Performance highlights
Times Square, EC4	8% reduction through move from electric to gas heating and improved controls
Cardinal Place, SW1 (80-100 Victoria Street)	4% reduction through improved cooling controls and changes in occupation levels
New Street Square, EC4 (buildings 4, 5 and 6)	2% reduction through upgraded lighting and control sensors
One New Change, EC4	6% increase due to an increase in occupancy levels of the offices
Thomas More Square, E1	21% reduction due largely to change in occupier profile, including areas out of operation during the refurbishment
Overall performance	**7% reduction**

Water

Commitment: reduce the water use of our five largest water-consuming managed buildings by 15% by 2020 against a 2014 baseline.

Table 89

Key measures: water reduction performance of the following	Performance highlights
Times Square, EC4	13% reduction due to the installation of more efficient bathroom fixtures
Cardinal Place, SW1 (80-100 Victoria Street)	6% reduction due to changes in occupation levels
The Galleria, Hatfield	No movement
Gunwharf Quays, Portsmouth	We believe a 1% increase is due to increased footfall
St David's, Cardiff	A 23% increase is currently under investigation as there is no immediately clear reason for the variance. We have commissioned a water audit
Overall performance	**1% reduction**

Waste

Commitment: send zero waste to landfill with at least 70% recycled across all our operational and construction activities by 2020*.

Table 90

Key measures	Performance highlights
London Portfolio: diverted recycled	 100% 50.6%
Retail shopping centres: diverted recycled	 99.8% 71.1%
Leisure sites: diverted recycled	2015 is the first year we publicly report figures 92.6% 57.1%
Construction waste: diverted	2015 is the first year we publicly report figures 100%

*This target details waste reduction performance across the portfolio. The chart 101 overleaf shows performance in our like-for-like portfolio only.

Natural habitat

Commitment: maximise the biodiversity potential of all our development and operational sites.

Table 91

Key measures	Performance highlights
Develop a strategic plan	We are working on a plan to deliver this across the portfolio of development and operational sites
Record zero environmental incidents	No reportable incidents have been recorded this year

Diversity

Commitment: make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix. And lead our industry in removing the employment barriers faced by these groups.

Table 92

Key measures (by 2020)	Performance highlights
Ethnicity: increased representation from less than 5% in management roles and above Gender: increased representation of women from 25-40% in leadership roles	Roll-out of 'unconscious bias' training to all hiring managers Introduced a new induction module on inclusive culture Commissioned benchmarking exercise and standards review

Employment

Commitment: help 1,200 disadvantaged people to secure jobs by 2020.

Table 93

Key measures	Performance highlights
Secure employment for 125 candidates through our Community Employment Programmes	157 candidates secured employment

Safety and health

Commitment: maintain an exceptional standard of both safety and health in all the working environments we control.

Table 94

Key measures (by 2020)	Performance highlights
Safety: reportable H&S incidents (RIDDORS)	We report six RIDDORs this period. Our accident frequency rate is 131 reportable accidents per 100,000 workers, against an industry average of 260
Health: transferable occupational health records required for workers on our construction sites	We have begun this process by introducing occupational medical surveillance on all developments lasting longer than six weeks
Wellbeing: wellbeing policy obligation for key supply chain partners	Within our own business we have taken the first steps in this area by issuing a wellbeing survey to our employees. The responses will play a significant part in the design of our long-term health and wellbeing strategy

Fairness

Commitment: make sure the working environments we control are fair.

Table 95

Key measures (by 2020)	Performance highlights
Payment of a Living Wage to those who work on our behalf, in environments we control	Employees: our own employees are paid at least a Living Wage Service partners: full-time London office portfolio workers and shopping centre teams in Lewisham and the O2 Centre are paid at least a Living Wage. Other centres have a programme of increases in place Construction: work with main contractors has begun to ensure a robust process is in place for payment of Living Wages before our 2020 target date

Additional performance highlights 2015

There are some additional disclosures we have not made within the body of this report. These relate to our performance against industry benchmarks and indices. We also disclose the amount of money raised for our charity partners, and the value of investments made in community initiatives.

Table 96

Activity	Performance
Benchmarking	
Carbon Disclosure Project (CDP)	2014: disclosure 96/score A- 2013: disclosure 88/score B 2012: disclosure 92/score B 2011: disclosure 60/score D
Global Real Estate Sustainability Benchmark (GRESB)	2014: score 78% 2013: score 67% 2012: score 68%
Dow Jones Sustainability Index (DJSI)	2014: score 70 2013: score 72 2012: score 70
FTSE4Good	We continue to retain our established position in the FTSE4Good Index
EPRA	Received a Gold Award at EPRA Sustainability Awards 2014 for sustainability reporting
Community	
Value of resources given	£3m equivalent value of time, promotion and cash investment 8,940 hours spent by employees volunteering
National charity partnership	£135,489 raised for partner Mencap in the first year of our two-year partnership
Business in the community	Finalist: Freshfield Work Inclusion Award (winner notified July 2015)

SUSTAINABILITY REPORTING

Commercial property is responsible for approximately 18% of the UK's current carbon emissions. As a leader in this energy-intensive industry, we have a responsibility to reduce its impact.

Having achieved our 2020 target by the end of last year, we have rebaselined using 2014 for our new 2020 targets. Against this revised baseline, there are reductions in both like-for-like energy and water consumption across the portfolio, by 8% and 2% respectively. For energy, there has been a reduction in consumption of 10% in the Retail Portfolio and 8% in the London Portfolio. Water consumption has remained static in the Retail Portfolio and decreased by 4% in the London Portfolio.

To convert our energy data to report greenhouse gas (GHG) emissions, we use the DEFRA recommended carbon conversion factors. These have increased significantly in the current reporting year as a result of changes in the UK fuel mix. Changes to these conversion factors are outside of our control and due to their increase, as at 31 March 2015, we show a slight overall increase of 1% against our 2014 baseline (like-for-like) in normalised equivalent CO_2e emissions.

Conversion factors Table 97

Overall carbon factors*	2013/14	2014/15	Change
Electricity	0.55991	0.61933	10.6%
Natural gas	0.21214	0.20980	-1.1%

* Combined conversion factors including well to tank and transmission and distribution factors.

New for this year we also report information on our renewable energy installations and we have a total of 194 MWh generated electricity in our portfolio from photovoltaic installations at Gunwharf Quays and Europa House in Portsmouth and 62 Buckingham Gate, SW1.

EPRA updated their guidelines in 2014 and recommend for best practice that the floor area of the total portfolio covered by sustainable certificates is now reported, stating the level of certification obtained. This is being collated and will be reported next year.

Reporting framework

Disclosures concerning GHG emissions became mandatory for Land Securities under the Companies Act in the 2014 financial year. As well as fulfilling these mandatory carbon reporting requirements, Land Securities is committed to EPRA Best Practice Recommendations for Sustainability reporting. We believe that such reporting improves transparency and performance. We also make further disclosures as 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 at www.landsecurities.com/sustainability. Construction waste and energy data from our development sites is currently out of scope and is not included within our overall figures. However, as part of a best practice approach, this is recorded for our development sites and the findings are detailed in this section.

For headline absolute emissions see page 80. For a detailed breakdown of absolute emissions across the portfolio see www.landsecurities.com/sustainability.

Like-for-like performance

We analyse and explain our like-for-like performance across the portfolio against our selected performance indicators: greenhouse gas intensity and building water intensity. For a complete breakdown of our like-for-like performance against our key EPRA performance indicators see opposite.

Energy consumption and greenhouse gas emissions (like-for-like)

London Offices
2015 vs. 2014
The overall GHG intensity of the London offices has remained at 0.112 tCO_2e/m^2 in both the current reporting year and the 2014 baseline.

This static performance can be attributed to a number of factors, including energy efficiency improvements, the increase in carbon conversion factors and changes in portfolio composition which overall have effectively cancelled each other out.

However, there has been a 7% energy reduction within our London offices portfolio which can be attributed to a broad range of initiatives including plant optimisation. We have also been working together with our customers to reduce their energy demand, particularly outside core hours.

Retail shopping centres
2015 vs. 2014
The overall GHG intensity of our shopping centres has remained at 0.050 tCO_2e/m^2 for 2015, the same level as the 2014 baseline.

The like-for-like GHG emissions have reduced marginally by 0.4% compared with the 2014 baseline. However we have seen a 10% reduction in energy consumption due to projects at several centres which have focused on LED installations in both back of house and main mall areas. Plant optimisation has also contributed to improved energy use within the portfolio.

Leisure
The GHG intensity for the leisure portfolio was 0.12 tCO_2e/m^2, an increase of 2% on the 2014 baseline.

While there has been a 2% increase in GHG emissions in the Leisure portfolio, there has been a 9% reduction in energy consumption. We have optimised plant run times where possible to ensure efficient running during operational hours, resulting in decreased consumption.

Water consumption (like-for-like)

London offices
2015 vs. 2014
London office water intensity has decreased by 5% from 0.741 to 0.701m^3/m^2.

Automatic water meter readers have been installed in the majority of our London office portfolio, allowing for more effective monitoring of the water consumption within the properties.

Retail shopping centres
2015 vs. 2014
Retail shopping centre water intensity has increased by 2% from 0.953 to 0.972m^3/m^2.

The increase is partly attributable to higher trading levels and increased footfall across our retail centres. Although our corporate water target relates to landlord controlled water only, we will continue to engage with our retailers on efficiency measures as we recognise they account for a high proportion of the overall usage.

Leisure
2015 vs. 2014
Leisure water intensity has decreased by 4% from 1.777 to 1.703m^3/m^2. We are expecting an increase in the number of sites included within the Leisure like-for-like portfolio in the 2016 reporting year which will bring further insight into water consumption in this area.

Waste management (like-for-like)

London offices
We are showing an 18% reduction in the total waste managed on site within the portfolio as some customers are taking advantage of the value of specific waste streams and are managing waste internally to generate revenue. We have seen a 6% decrease in recycling rates as this year we are no longer including certain client waste in our figures.

Retail shopping centres
There has been a 6% increase in the total waste being managed through our waste service partners on site in the current reporting year. There has also been an increase in the percentage of waste being recycled in our shopping centre portfolio, with a 9% increase when compared with the 2014 baseline. Improved waste service partner processes are providing us with more accurate data and are allowing us to engage with customers through waste awareness campaigns.

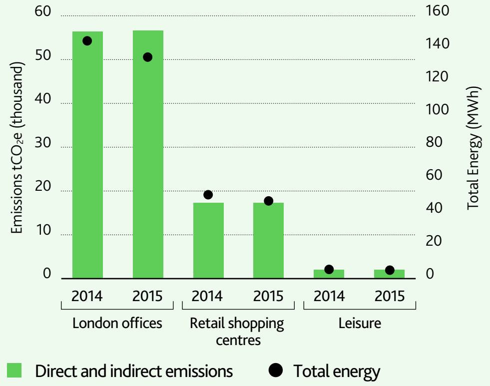
Leisure
During 2015 there have been changes in the waste management provider at several sites, which has improved management information. Greater accuracy in segregating waste streams and a clear focus on the issues has led to a significant reduction in waste to landfill in the leisure like-for-like portfolio. Next year, the number of assets included in this portfolio is likely to increase significantly.

Development, energy, water and waste

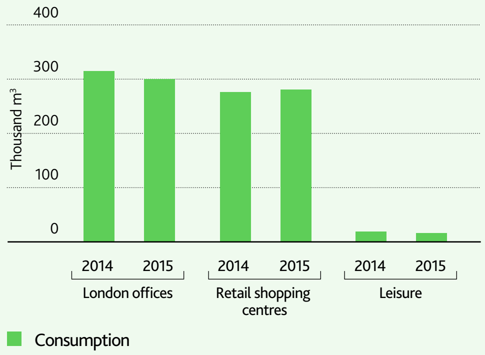
2015
While not included in our like-for-like portfolio, we are recording energy, water and waste for our development sites through our construction teams. In 2015, the total energy consumption (electricity and gas) was 27,842 MWh and we recorded 8,383m^3 of water consumed on site. Next year we will be validating the data received from our development teams, increasing the scope of data collection and including fuel oil used on our sites.

Waste streams are recorded on development sites in the same way. In this reporting year, 230,749 tonnes of waste was recycled and 2,106 tonnes were sent to landfill.

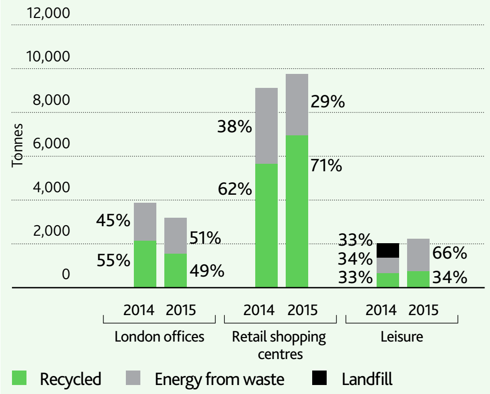
Direct and indirect GHG emissions and total energy across the like-for-like portfolio in 2014 and 2015 Chart 98



Water consumption across the like-for-like portfolio in 2014 and 2015 Chart 99



Tonnes of waste disposed via different disposal routes, across the like-for-like portfolio in 2014 and 2015* Chart 100



* This bar chart shows like-for-like portfolio performance. Our waste reduction target applies across the whole portfolio.

Like-for-like portfolio – selected performance indicators in 2015 and 2014 baseline

Table 101

EPRA performance indicator	3.5	3.6	3.7	3.8	3.9	3.10	3.11	3.11	3.11	3.11	3.11
	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 m^3)	Building water intensity (m^3/m^2/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)
2015 Retail Portfolio											
Shopping centres and shops	3,568	13,593	0.050	279,603	0.972	6,901	2,800	1	71%	29%	0%
Retail warehouses and food stores	–	943	0.002	2,591	0.009	340	148	–	70%	30%	0%
Leisure and hotels	280	1,759	0.120	14,694	1.703	760	1,471	0	34%	66%	0%
Other	473	23	0.022	7,056	0.318	–	–	–	–	–	–
Landlord own consumption	–	28	0.141	–	–	–	–	–	0%	0%	0%
	4,321	**16,346**	**0.025**	**303,943**	**0.331**	**8,000**	**4,437**	**1**	**64%**	**36%**	**0%**
2015 London Portfolio											
West End	3,013	13,663	0.100	107,867	0.838	536	615	–	47%	53%	0%
City	1,199	17,581	0.133	69,579	0.494	212	238	–	47%	53%	0%
Mid-town	1,443	9,134	0.105	72,831	0.805	496	529	–	48%	52%	0%
Inner London	11	10,290	0.110	50,906	0.732	307	241	–	56%	44%	0%
London offices	5,667	50,668	0.112	301,182	0.701	1,550	1,624	–	49%	51%	0%
London shops	669	2,452	0.071	34,177	0.955	908	780	–	54%	46%	0%
Other	82	154	0.087	3,260	1.236	3	4	–	38%	62%	0%
Landlord own consumption	162	1,044	0.104	6,777	0.584	78	17	–	82%	18%	0%
	6,580	**54,319**	**0.109**	**345,396**	**0.720**	**2,538**	**2,426**	**–**	**51%**	**49%**	**0%**
Total	**10,901**	**70,665**	**0.059**	**649,339**	**0.590**	**10,538**	**6,863**	**1**	**61%**	**39%**	**0%**
2014 Retail Portfolio											
Shopping centres and shops	4,247	12,979	0.050	274,330	0.953	5,621	3,435	59	62%	38%	0%
Retail warehouses and food stores	–	865	0.002	2,199	0.007	385	143	–	73%	27%	0%
Leisure and hotels	336	1,670	0.118	15,332	1.777	667	693	657	33%	34%	33%
Other	497	50	0.013	11,490	0.274	–	–	–	0%	0%	0%
Landlord own consumption	–	22	0.114	–	–	–	–	–	0%	0%	0%
	5,080	**15,586**	**0.024**	**303,351**	**0.321**	**6,672**	**4,290**	**717**	**57%**	**37%**	**6%**
2014 London Portfolio											
West End	3,619	12,996	0.100	99,569	0.774	677	584	–	54%	46%	0%
City	1,285	16,185	0.124	78,695	0.559	235	260	–	47%	53%	0%
Mid-town	1,548	8,857	0.103	83,977	0.929	538	495	–	52%	48%	0%
Inner London	11	11,697	0.125	56,168	0.808	679	388	–	64%	36%	0%
London offices	6,463	49,736	0.112	318,409	0.741	2,128	1,726	–	55%	45%	0%
London shops	634	2,006	0.060	30,028	0.839	460	424	–	52%	48%	0%
Other	94	129	0.081	3,814	1.446	–	–	–	0%	0%	0%
Landlord own consumption	190	909	0.095	5,684	0.490	50	26	–	66%	34%	0%
	7,382	**52,779**	**0.107**	**357,935**	**0.746**	**2,637**	**2,176**	**–**	**55%**	**45%**	**0%**
Total	**12,462**	**68,365**	**0.057**	**661,286**	**0.587**	**9,310**	**6,466**	**717**	**57%**	**39%**	**4%**

COMBINED PORTFOLIO ANALYSIS

Like-for-like segmental analysis

Table 102

	Market value[1]		Valuation movement[2]		Rental income[3]		Annualised rental income[4]	Annualised net rent[5]		Net estimated rental value[6]	
	31 March 2015 £m	31 March 2014 £m	**Surplus/(deficit) £m**	**Surplus/(deficit) %**	**31 March 2015 £m**	31 March 2014 £m	**31 March 2015 £m**	**31 March 2015 £m**	31 March 2014 £m	**31 March 2015 £m**	31 March 2014 £m
Retail Portfolio											
Shopping centres and shops	**2,025.7**	1,687.6	**327.6**	**19.5%**	**116.1**	112.3	**109.8**	**104.2**	106.4	**109.4**	109.6
Retail warehouses and food stores	**1,130.8**	1,087.7	**24.1**	**2.2%**	**66.7**	68.2	**67.7**	**66.7**	64.0	**66.9**	67.5
Leisure and hotels	**797.2**	677.5	**118.1**	**17.5%**	**46.8**	45.8	**47.2**	**46.9**	45.2	**46.2**	44.3
Other	**32.3**	26.0	**5.8**	**22.3%**	**2.1**	2.5	**2.0**	**1.6**	2.2	**3.1**	2.9
Total Retail	**3,986.0**	3,478.8	**475.6**	**13.7%**	**231.7**	228.8	**226.7**	**219.4**	217.8	**225.6**	224.3
London Portfolio											
West End	**1,826.3**	1,550.6	**262.7**	**17.5%**	**82.3**	80.9	**82.3**	**81.5**	76.3	**85.5**	74.6
City	**735.3**	633.4	**107.0**	**18.1%**	**26.7**	26.5	**27.5**	**30.9**	29.5	**34.8**	33.0
Mid-town	**1,101.4**	941.7	**158.5**	**19.5%**	**41.6**	42.4	**41.8**	**43.9**	41.9	**51.8**	49.7
Inner London	**388.6**	316.2	**44.6**	**20.4%**	**19.4**	20.2	**18.8**	**18.3**	20.3	**23.9**	20.8
Total London offices	**4,051.6**	3,441.9	**572.8**	**18.3%**	**170.0**	170.0	**170.4**	**174.6**	168.0	**196.0**	178.1
Central London shops	**1,094.7**	935.2	**153.2**	**16.4%**	**44.1**	38.8	**43.4**	**42.4**	40.3	**52.7**	51.3
Other	**70.4**	58.3	**11.5**	**19.5%**	**2.1**	1.5	**0.7**	**0.7**	0.6	**0.7**	0.8
Total London	**5,216.7**	4,435.4	**737.5**	**17.9%**	**216.2**	210.3	**214.5**	**217.7**	208.9	**249.4**	230.2
Like-for-like portfolio[10]	**9,202.7**	7,914.2	**1,213.1**	**16.0%**	**447.9**	439.1	**441.2**	**437.1**	426.7	**475.0**	454.5
Proposed developments[3]	**290.0**	135.0	**2.9**	**1.0%**	**13.7**	9.0	**16.7**	**16.7**	8.6	**17.2**	8.6
Completed developments[3]	**962.1**	835.2	**114.5**	**14.2%**	**42.3**	35.6	**42.3**	**41.8**	28.1	**48.2**	48.5
Acquisitions[11]	**1,425.1**	586.1	**81.2**	**6.2%**	**69.2**	34.9	**82.8**	**79.5**	43.4	**84.6**	41.8
Sales and restructured interests[12]	**–**	887.3	**–**	**–**	**39.7**	105.7	**–**	**–**	68.2	**–**	60.1
Development programme[13]	**2,151.5**	1,249.1	**594.4**	**38.7%**	**28.1**	7.8	**31.4**	**8.8**	1.8	**128.0**	122.7
Combined Portfolio	**14,031.4**	11,606.9	**2,006.1**	**17.4%**	**640.9**	632.1	**614.4**	**583.9**	576.8	**753.0**	736.2
Non-current asset held for sale[14]	**n/a**	252.5	**30.8**	**12.2%**	**12.8**	12.9					
Properties treated as finance leases					**(10.4)**	(10.9)					
Combined Portfolio	**14,031.4**	11,859.4	**2,036.9**	**17.3%**	**643.3**	634.1					

Total portfolio analysis

	31 March 2015 £m	31 March 2014 £m	**Surplus/(deficit) £m**	**Surplus/(deficit) %**	**31 March 2015 £m**	31 March 2014 £m	**31 March 2015 £m**	**31 March 2015 £m**	31 March 2014 £m	**31 March 2015 £m**	31 March 2014 £m
Retail Portfolio											
Shopping centres and shops	**3,564.8**	3,020.4	**411.6**	**13.3%**	**212.6**	222.9	**183.6**	**177.7**	193.6	**188.6**	198.8
Retail warehouses and food stores	**1,230.8**	1,210.4	**26.9**	**2.3%**	**72.2**	71.6	**72.5**	**70.8**	68.3	**72.2**	75.1
Leisure and hotels	**1,440.3**	1,261.9	**173.7**	**14.0%**	**91.3**	80.8	**94.2**	**92.4**	88.8	**91.1**	86.2
Other	**32.3**	36.8	**5.8**	**22.3%**	**2.3**	4.2	**2.0**	**1.6**	2.6	**3.1**	3.5
Total Retail	**6,268.2**	5,529.5	**618.0**	**11.1%**	**378.4**	379.5	**352.3**	**342.5**	353.3	**355.0**	363.6
London Portfolio											
West End	**2,922.3**	2,312.8	**470.0**	**19.8%**	**101.8**	94.0	**102.0**	**96.6**	80.5	**152.2**	140.8
City	**1,649.3**	1,171.9	**379.9**	**31.3%**	**43.4**	29.2	**46.1**	**30.9**	31.8	**78.3**	76.0
Mid-town	**1,276.6**	989.6	**257.9**	**29.1%**	**41.6**	42.4	**41.8**	**43.7**	41.9	**68.4**	65.6
Inner London	**483.3**	316.2	**50.4**	**16.5%**	**21.2**	33.5	**24.4**	**23.5**	20.3	**32.3**	20.8
Total London offices	**6,331.5**	4,790.5	**1,158.2**	**24.2%**	**208.0**	199.1	**214.3**	**194.7**	174.5	**331.2**	303.2
Central London shops	**1,361.3**	1,220.1	**218.5**	**19.2%**	**52.4**	52.0	**47.0**	**45.8**	48.4	**65.9**	68.4
Other	**70.4**	66.8	**11.4**	**16.8%**	**2.1**	1.5	**0.8**	**0.9**	0.6	**0.9**	1.0
Total London	**7,763.2**	6,077.4	**1,388.1**	**23.2%**	**262.5**	252.6	**262.1**	**241.4**	223.5	**398.0**	372.6
Combined Portfolio	**14,031.4**	11,606.9	**2,006.1**	**17.4%**	**640.9**	632.1	**614.4**	**583.9**	576.8	**753.0**	736.2
Non-current asset held for sale[14]	**n/a**	252.5	**30.8**	**12.2%**	**12.8**	12.9					
Properties treated as finance leases					**(10.4)**	(10.9)					
Combined Portfolio	**14,031.4**	11,859.4	**2,036.9**	**17.3%**	**643.3**	634.1					
Represented by:											
Investment portfolio	**12,603.5**	10,260.4	**1,767.8**	**16.2%**	**572.7**	559.2	**567.1**	**552.3**	508.0	**672.2**	627.1
Share of joint ventures	**1,427.9**	1,599.0	**269.1**	**23.6%**	**70.6**	74.9	**47.3**	**31.6**	68.8	**80.8**	109.1
Combined Portfolio	**14,031.4**	11,859.4	**2,036.9**	**17.3%**	**643.3**	634.1	**614.4**	**583.9**	576.8	**753.0**	736.2

Like-for-like segmental analysis continued

Table 102

	Gross estimated rental value[7]		Net initial yield[8]		Equivalent yield[9]		Voids (by ERV)[3]	
	31 March 2015 £m	31 March 2014 £m	**31 March 2015 %**	31 March 2014 %	**31 March 2015 %**	31 March 2014 %	**31 March 2015 %**	31 March 2014 %
Retail Portfolio								
Shopping centres and shops	**118.1**	117.8	**4.6%**	5.3%	**4.8%**	5.6%	**3.2%**	2.7%
Retail warehouses and food stores	**67.6**	68.2	**5.4%**	5.4%	**5.5%**	5.7%	**2.5%**	0.6%
Leisure and hotels	**46.2**	44.3	**5.4%**	6.2%	**5.5%**	6.3%	**0.6%**	0.5%
Other	**3.1**	2.9	**3.4%**	6.8%	**8.2%**	9.7%	**19.4%**	20.7%
Total Retail Portfolio	**235.0**	233.2	**5.0%**	5.5%	**5.2%**	5.8%	**2.7%**	1.9%
London Portfolio								
West End	**85.5**	74.5	**4.2%**	4.7%	**4.5%**	5.0%	**3.5%**	2.0%
City	**35.6**	33.6	**3.9%**	4.4%	**4.4%**	4.8%	**–**	–
Mid-town	**53.0**	50.8	**3.7%**	4.0%	**4.3%**	4.9%	**7.2%**	3.3%
Inner London	**23.9**	20.8	**4.0%**	5.6%	**5.3%**	5.9%	**7.1%**	1.4%
Total London offices	**198.0**	179.7	**4.0%**	4.5%	**4.5%**	5.0%	**4.3%**	1.9%
Central London shops	**53.1**	51.8	**3.6%**	3.9%	**4.4%**	5.0%	**4.5%**	0.6%
Other	**0.7**	0.8	**0.7%**	0.7%	**0.8%**	0.9%	**–**	–
Total London Portfolio	**251.8**	232.3	**3.9%**	4.4%	**4.4%**	4.9%	**4.3%**	1.6%
Like-for-like portfolio[10]	**486.8**	465.5	**4.3%**	4.9%	**4.8%**	5.3%	**3.6%**	1.8%
Proposed developments[3]	**17.2**	8.6	**4.7%**	5.4%	**n/a**	n/a	**n/a**	n/a
Completed developments[3]	**48.2**	48.5	**4.1%**	2.8%	**4.7%**	5.3%	**n/a**	n/a
Acquisitions[11]	**84.7**	41.8	**4.7%**	6.3%	**5.4%**	n/a	**n/a**	n/a
Sales and restructured interests[12]	**–**	62.8	**0.0%**	6.1%	**n/a**	n/a	**n/a**	n/a
Development programme[13]	**128.1**	122.8	**0.2%**	0.1%	**4.4%**	5.1%	**n/a**	n/a
Combined Portfolio[14]	**765.0**	750.0	**3.7%**	4.4%	**4.8%**	n/a	**n/a**	n/a

Total portfolio analysis

	31 March 2015 £m	31 March 2014 £m	**31 March 2015 %**	31 March 2014 %
Retail Portfolio				
Shopping centres and shops	**197.2**	209.5	**4.4%**	5.4%
Retail warehouses and food stores	**72.9**	75.8	**5.2%**	5.1%
Leisure and hotels	**91.2**	86.3	**5.6%**	6.3%
Other	**3.1**	3.5	**3.4%**	5.0%
Total Retail Portfolio	**364.4**	375.1	**4.8%**	5.5%
London Portfolio				
West End	**152.3**	140.9	**3.0%**	3.2%
City	**79.2**	76.6	**1.8%**	3.0%
Mid-town	**69.7**	66.7	**3.2%**	3.8%
Inner London	**32.3**	20.8	**3.9%**	5.6%
Total London offices	**333.5**	305.0	**2.8%**	3.4%
Central London shops	**66.2**	68.9	**3.1%**	3.6%
Other	**0.9**	1.0	**0.7%**	0.6%
Total London Portfolio	**400.6**	374.9	**2.8%**	3.4%
Combined Portfolio[14]	**765.0**	750.0	**3.7%**	4.4%
Represented by:				
Investment portfolio	**683.2**	638.9	**3.9%**	4.6%
Share of joint ventures	**81.8**	111.1	**1.8%**	3.3%
Combined Portfolio[14]	**765.0**	750.0	**3.7%**	4.4%

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 2013.
12. Includes all properties sold since 1 April 2013.
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.
14. As at 31 March 2015, the non-current asset held for sale has been excluded from the Combined Portfolio and shown separately on the balance sheet as a 'Non-current asset held for sale'.

LEASE LENGTHS

Lease lengths

Table 103

	Weighted average unexpired lease term at 31 March 2015	
	Like-for-like portfolio Mean[1] years	Like-for-like portfolio, completed developments and acquisitions Mean[1] years
Retail Portfolio		
Shopping centres and shops	7.4	7.9
Retail warehouses and food stores	8.3	9.1
Leisure and hotels	7.8	9.4
Other	3.5	3.5
Total Retail Portfolio	**7.7**	**8.6**
London Portfolio		
West End	8.4	8.3
City	7.1	7.1
Mid-town	10.6	10.6
Inner London	13.2	11.1
Total London offices	**9.2**	**9.0**
Central London shops	6.3	6.1
Other	8.7	8.7
Total London Portfolio	**8.6**	**8.4**
Combined Portfolio	**8.2**	**8.5**

1. Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.

DEVELOPMENT PIPELINE

Development pipeline financial summary

Table 104

	Cumulative movements on the development programme to 31 March 2015						Total scheme details[1]				
	Market value at start of scheme[2] £m	Capital expenditure incurred to date £m	Capitalised interest to date £m	Valuation surplus to date[3] £m	Disposals, SIC15 rent and other adjustments £m	Market value at 31 March 2015 £m	Estimated total capital expenditure[4] £m	Estimated total capitalised interest £m	Estimated total development cost[5] £m	Net Income/ ERV[6] £m	Valuation surplus for the year ended 31 March 2015[3] £m
Developments let and transferred or sold											
Shopping centres and shops	–	–	–	–	–	–	–	–	–	–	–
Retail warehouses and food stores	18.0	20.0	0.4	16.6	(3.0)	52.0	20.0	0.4	38.4	2.7	7.6
London Portfolio	92.0	60.6	1.5	139.0	12.4	305.5	60.6	1.5	154.1	14.2	42.0
	110.0	80.6	1.9	155.6	9.4	357.5	80.6	1.9	192.5	16.9	49.6
Developments after practical completion, approved or in progress											
Shopping centres and shops	30.0	8.7	0.3	10.9	0.1	50.0	179.6	10.4	220.0	13.9	10.9
Retail warehouses and food stores	–	–	–	–	–	–	–	–	–	–	–
London Portfolio	459.4	689.2	48.9	983.1	(79.1)	2,101.5	847.9	72.2	1,379.5	123.6	583.5
	489.4	697.9	49.2	994.0	(79.0)	2,151.5	1,027.5	82.6	1,599.5	137.5	594.4
	Movement on proposed developments for the year ended 31 March 2015										
Proposed developments											
Shopping centres and shops	279.2	8.8	–	2.9	(0.9)	290.0	326.0	22.5	638.5	39.5	2.9
Retail warehouses and food stores	–	–	–	–	–	–	–	–	–	–	–
London Portfolio	–	–	–	–	–	–	–	–	–	–	–
	279.2	8.8	–	2.9	(0.9)	290.0	326.0	22.5	638.5	39.5	2.9

Notes:
1. Total scheme details exclude properties sold in the year.
2. Proposed developments includes costs relating to the acquisition of the remaining 50% share in Buchanan Galleries. Figures provided are for the scheme as a whole (development and existing scheme).
3. Includes profit realised on the disposal of investment properties and any surplus or deficit on investment properties transferred to trading.
4. For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete the scheme as at 31 March 2015.
5. Includes the property at its market value at the start of the financial year in which the property was added to the development programme together with estimated capitalised interest. For proposed development properties, the market value of the property at 31 March 2015 is included in the estimated total cost. Estimated total development cost includes the cost of residential properties in the development programme (£10.9m for the Retail Portfolio). Estimated costs for proposed schemes could still be subject to material change prior to final approval.
6. Net headline annual rent on let units plus net ERV at 31 March 2015 on unlet units.

For more information about our development pipeline go to:
pages 14–15, 30–33

Development pipeline and trading property development schemes at 31 March 2015

Table 105

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									
62 Buckingham Gate, SW1	Office	100	259,700	68	377	18.6	May 2013	178	178
	Retail		15,600	100					
20 Fenchurch Street, EC3	Office	50	673,900	92	474	21.8	Dec 2014	229	239
	Retail		14,200	100					
Developments approved or in progress									
1 & 2 New Ludgate, EC4	Office	100	355,300	66	437	23.1	Apr 2015	232	254
	Retail		26,200	30					
The Zig Zag Building, SW1[1]	Office	100	188,700	32	290	16.0	Jul 2015	158	177
	Retail		44,500	52					
20 Eastbourne Terrace, W2	Office	100	92,700	–	63	5.3	Apr 2016	43	67
1 New Street Square, EC4	Office	100	274,800	100	177	15.5	Jun 2016	73	180
	Retail			100					
Nova, Victoria, SW1 – Phase I	Office	50	480,300	–	216	20.0	Jul 2016	139	248
	Retail		79,900	24					
Oriana, W1 – Phase II	Retail	50	72,300	64	68	3.3	Nov 2016	28	37
Westgate, Oxford	Retail	50	804,500	29	50	13.9	Oct 2017	39	220
	Residential		37,000						
Proposed developments									
Buchanan Galleries, Glasgow[2]	Retail	100	1,170,000	n/a	n/a	n/a	2018	n/a	n/a
Developments let and transferred or sold									
123 Victoria Street, SW1[3]	Office	100	200,100	100	n/a[4]	14.2	Aug 2012	154	154
	Retail		28,200	100					
Bishop Centre, Taplow	Retail	100	101,500	100	n/a[4]	2.7	Jul 2014	38	38

1. Includes retail within Kings Gate, SW1.
2. Figures provided are for the scheme as a whole (development and existing scheme).
3. Office refurbishment only. Figures provided are for the property as a whole including the retail element.
4. Once properties are transferred from the development pipeline, we do not report on their individual value.

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 2015. 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 2015, the only properties on which interest was capitalised on the land cost were Westgate, Oxford and Nova, Victoria, SW1 - Phase I. The figures for total development costs include expenditure on the residential elements of Westgate, Oxford (£10.9m).

Net income/ERV

Net income/ERV represents headline annual rent on let units plus ERV at 31 March 2015 on unlet units, both after rents payable.

Trading property development schemes

Table 106

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
Kings Gate, SW1	Residential	100	108,700	100	85	Jul 2015	138	161
Nova, Victoria, SW1 – Phase I	Residential	50	166,400	170	78	Apr 2016	92	141
Oriana, W1 – Phase II	Residential	50	20,200	18	–	Nov 2016	9	16

FIVE YEAR SUMMARY

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Income statement					
Group revenue	**770.4**	716.5	736.6	671.5	701.9
Costs	**(306.6)**	(253.3)	(290.7)	(239.6)	(270.8)
	463.8	463.2	445.9	431.9	431.1
Profit/(loss) on disposal of investment properties	**107.1**	15.6	(3.1)	45.4	75.7
Profit on disposal of investments in joint ventures	**3.3**	2.5	–	–	–
Net surplus on revaluation of investment properties	**1,770.6**	606.6	196.7	169.8	794.1
Profit on disposal of other investments	**–**	–	1.6	–	–
Release of impairment/(impairment) of trading properties	**1.9**	5.3	7.1	(2.0)	(1.4)
Operating profit	**2,346.7**	1,093.2	648.2	645.1	1,299.5
Net interest expense	**(220.0)**	(179.2)	(170.7)	(179.4)	(216.1)
Revaluation of redemption liabilities	**(8.5)**	(5.6)	(4.5)	–	–
Net gain on business combination	**2.2**	5.0	1.4	–	–
Impairment of goodwill	**(29.7)**	–	–	–	–
	2,090.7	913.4	474.4	465.7	1,083.4
Share of post-tax profit from joint ventures	**325.8**	195.5	58.6	52.2	143.9
Impairment of investment in joint ventures	**–**	–	–	(2.2)	–
Profit before tax	**2,416.5**	1,108.9	533.0	515.7	1,227.3
Income tax	**0.3**	7.7	–	8.0	16.8
Profit for the financial year	**2,416.8**	1,116.6	533.0	523.7	1,244.1
Revaluation surplus for the year:					
Group[1]	**1,767.8**	608.5	197.0	169.8	794.1
Joint ventures[1]	**269.1**	155.3	20.5	21.1	114.7
Total[1]	**2,036.9**	763.8	217.5	190.9	908.8
Revenue profit	**329.1**	319.6	290.7	299.4	274.7

1. Includes our non-wholly owned subsidiaries on a proportionate basis.

FIVE YEAR SUMMARY

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Balance sheet					
Investment properties	**12,158.0**	9,847.7	9,651.9	8,453.2	8,889.0
Intangible assets	**34.7**	–	–	–	–
Other property, plant and equipment	**9.6**	7.3	8.3	8.8	11.3
Net investment in finance leases	**185.1**	186.9	188.0	185.0	116.8
Loan investments	**49.5**	50.0	50.0	50.8	72.2
Investment in joint ventures	**1,433.5**	1,443.3	1,301.0	1,137.6	939.6
Trade and other receivables	**54.0**	34.3	10.6	–	77.0
Other investments	**12.8**	–	–	32.3	1.8
Derivative financial instruments	**–**	5.3	–	–	–
Pension surplus	**7.0**	2.3	5.9	–	8.7
Total non-current assets	**13,944.2**	11,577.1	11,215.7	9,867.7	10,116.4
Trading properties and long-term development contracts	**222.3**	192.9	152.8	133.1	129.3
Trade and other receivables	**402.7**	366.3	344.8	759.6	352.5
Monies held in restricted accounts and deposits	**10.4**	14.5	30.9	29.5	35.1
Cash and cash equivalents	**14.3**	20.9	41.7	29.7	37.6
Total current assets	**649.7**	594.6	570.2	951.9	554.5
Non-current assets held for sale	**283.4**	–	–	–	–
Borrowings	**(190.7)**	(513.2)	(436.2)	(10.8)	(33.0)
Trade and other payables	**(367.3)**	(319.5)	(364.3)	(361.3)	(423.2)
Provisions	**(2.6)**	(3.6)	(7.0)	(8.6)	(7.4)
Derivative financial instruments	**(3.8)**	(5.5)	(9.1)	–	–
Current tax liabilities	**(3.7)**	(2.9)	(21.2)	(21.6)	(35.5)
Total current liabilities	**(568.1)**	(844.7)	(837.8)	(402.3)	(499.1)
Borrowings	**(3,593.0)**	(2,849.0)	(3,315.2)	(3,225.1)	(3,351.3)
Derivative financial instruments	**(37.7)**	(3.5)	(10.7)	(6.5)	(2.0)
Pension deficit	**–**	–	–	(2.4)	–
Trade and other payables	**(29.6)**	(23.6)	(17.4)	(27.7)	(6.2)
Redemption liabilities	**(35.3)**	(32.6)	(118.1)	–	–
Deferred tax	**(7.3)**	–	–	–	–
Total non-current liabilities	**(3,702.9)**	(2,908.7)	(3,461.4)	(3,261.7)	(3,359.5)
Net assets	**10,606.3**	8,418.3	7,486.7	7,155.6	6,812.3
Net debt	**(3,800.5)**	(3,330.5)	(3,698.6)	(3,183.2)	(3,313.6)
Results per share					
Total dividend payable in respect of the financial year (actual)	**31.85p**	30.7p	29.8p	29.0p	28.2p
Basic earnings per share	**306.1p**	142.3p	68.4p	67.5p	162.3p
Diluted earnings per share	**304.7p**	141.8p	68.1p	67.4p	162.2p
Adjusted earnings per share[1]	**41.7p**	40.7p	37.0p	38.5p	35.5p
Adjusted diluted earnings per share[1]	**41.5p**	40.5p	36.8p	38.5p	35.5p
Net assets per share	**1,343p**	1,069p	959p	921p	885p
Diluted net assets per share	**1,337p**	1,065p	955p	918p	884p
Adjusted net assets per share	**1,299p**	1,017p	907p	866p	827p
Adjusted diluted net assets per share	**1,293p**	1,013p	903p	863p	826p

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 107

	2015
2014/15 final dividend	
Ex-dividend date	18 June
Record date	19 June
Last day for DRIP elections/receipt of DRIP application	3 July
Payment date	24 July
Annual General Meeting	23 July
2015/16 1st interim dividend*	
Ex-dividend date	10 September
Record date	11 September
Last day for DRIP elections/receipt of DRIP application	18 September
Payment date	9 October
First quarter interim management statement*	22 July
2015/16 Half-yearly results announcement	10 November
2015/16 2nd interim dividend*	
Ex-dividend date	3 December
Record date	4 December
Last day for DRIP elections/receipt of DRIP application	14 December
	2016
Payment date	7 January
Third quarter interim management statement*	January
2015/16 3rd interim dividend*	
Ex-dividend date	10 March
Record date	11 March
Last day for DRIP elections/receipt of DRIP application	16 March
Payment date	8 April
2015/16 financial year end	31 March
2015/16 Annual results announcement*	May

* Provisional

Ordinary shares
The Company's ordinary shares, each of nominal value 10 pence each, are traded on the main market for listed securities on the London Stock Exchange (LON:LAND).

Company website: www.landsecurities.com
The Company's annual and half year results announcements and presentations are available to view and download from its website. Information can also be found there about the latest Land Securities share price and dividend information, news about the Company, its properties and operations, and how to obtain further information. You can also access from the website details about managing your shares electronically, corporate governance and other debt and equity investor information.

Registrar: Equiniti
All general enquiries concerning shareholdings, dividends and changes in personal details should be referred in the first instance 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 which enables shareholders to access details of their Land Securities shareholdings electronically. This is available at http://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 from the Company electronically. Choosing to receive information in this way means you will receive it more quickly and securely. It also allows Land Securities to communicate in a more environmentally friendly and cost-effective manner. To register for this service, you should go to http://www.landsecurities.com/investors/shareholder-investor-information/manage-your-shares or www.shareview.co.uk.

Payment of dividends to UK resident shareholders
Shareholders whose dividends are currently sent to their registered address may wish to consider having their dividends paid directly into their personal bank or building society account. This has a number of advantages, including the crediting of cleared funds on the dividend payment date. If you would like your future dividends to be paid in this way, you should contact the Registrar or complete a mandate instruction available from http://www.landsecurities.com/investors/shareholder-investor-information/dividend-information and return it to the Registrar.

Payment of dividends to non-UK resident shareholders
Instead of waiting for a sterling cheque to arrive by post, shareholders can ask for their dividends to be paid direct to a personal bank account overseas. This is a service which the Registrar can arrange in over 30 different countries worldwide, and in local currencies, and it normally costs less than paying in a sterling cheque. For more information, you should contact the Registrar on +44 (0)121 415 7049 or download an application form online at www.shareview.co.uk. Alternatively, you can contact Equiniti at the address given on the left.

Dividend Reinvestment Plan
The Dividend Reinvestment Plan (DRIP) gives shareholders the opportunity to use their cash dividends to increase their shareholding in Land Securities. It is a convenient and cost-effective facility provided by Equiniti Financial Services Limited. Under the DRIP, cash dividends are used to buy shares in the market as soon as possible after the dividend payment, with any residual cash being carried forward to the next dividend payment. Details of the DRIP, including terms and conditions and participation election forms, are available at www.landsecurities.com/investors/shareholder-investor-information/dividend-reinvestment-plan.

They are also available from:

Dividend Reinvestment Plans
Equiniti,
Aspect House, Spencer Road,
Lancing,
West Sussex BN99 6DA
Telephone: 0871 384 2268*
International dialling: +44 (0)121 415 7173

Share dealing facilities
Equiniti provides both existing and prospective UK shareholders with a simple share dealing facility for buying and selling Land Securities 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 dealing instruction form. Existing shareholders will need to provide the account/shareholder reference number shown on their share certificate. Other brokers, banks and building societies also offer similar share dealing facilities.

ShareGift
Shareholders with only 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 Account (ISA)
The Company has in place a Corporate ISA which is managed by Equiniti Financial Services Limited. They can be contacted at:

Aspect House,
Spencer Road,
Lancing,
West Sussex BN99 6DA
Telephone: 0871 384 2244*

Capital Gains Tax
For the purpose of capital gains tax, the price of a Land Securities share 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: 0844 481 8180
Website: www.uar.co.uk

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 out more about how to protect yourself from investment scams visit http://scamsmart.fca.org.uk/page/be-a-scamsmart-investor.

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* 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 (Adjusted EPS)
Earnings per share based on revenue profit after related tax.

Adjusted net asset value (Adjusted 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.

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 2013.

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.

Dividend Reinvestment Plan (DRIP)
The DRIP provides shareholders with the opportunity to use future cash dividends received to purchase additional Ordinary shares in the Company immediately after the relevant dividend payment date. Full details appear on the Company's website.

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. For investment properties in the development programme, which have not yet reached practical completion, the ERV represents management's view of market rents.

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 22.

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, foreign exchange 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 2013, 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 determined by the valuer and is based on 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.

Net rental income
Net rental income is the net operational income arising from the Group's properties, on an accruals basis, including rental income, finance lease interest, rents payable, service charge income and expense, other property related income, direct property expenditure and bad debts.

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' has 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 (TPR)
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.

Weighted 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.

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.

CAUTIONARY STATEMENT

The purpose of this Annual Report is to provide information to the members of Land Securities Group PLC and it has been prepared for, and only for, those members as a body, and no other persons. The Company, its Directors and employees, agents and advisers do not accept or assume any responsibility to any other persons to whom this Annual Report is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

This Annual Report and the Land Securities website may contain certain 'forward-looking statements' with respect to the Company and the Group's financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the 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 IFRS, and changes in interest and exchange rates.

Any 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, the Company does not intend to update any forward-looking statements.

Nothing in this Annual Report or the Land Securities website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

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