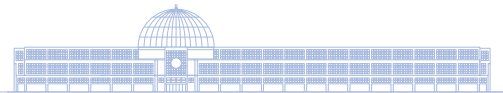


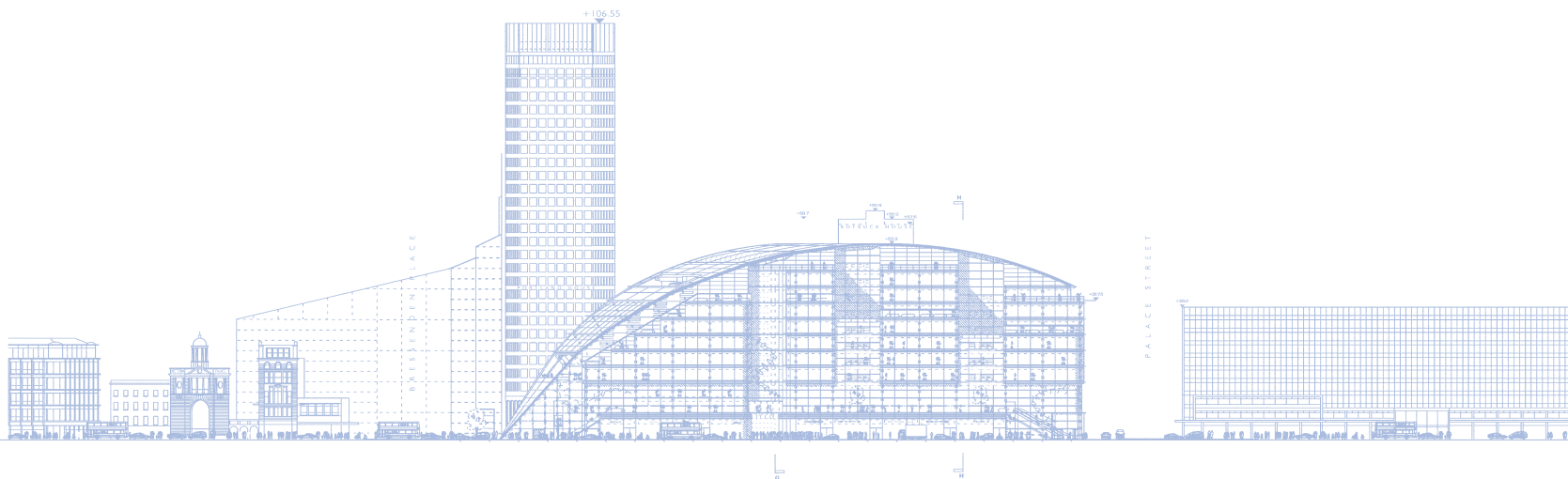


LandSecurities

Report and Financial Statements 31 March 2001

NEW HORIZONS





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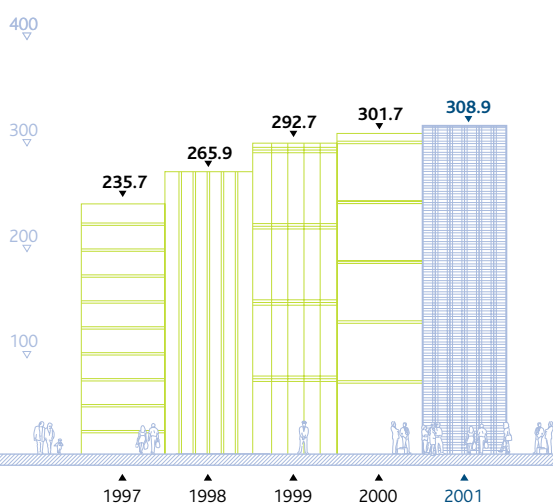
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FINANCIAL CALENDAR

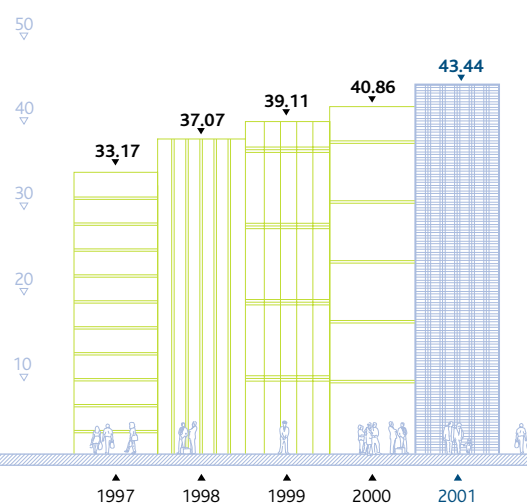
- 2001 **23 May**
Preliminary Announcement
- 30 May**
Ex-dividend date
- 1 June**
Record date for final dividend
- 10 July**
Annual General Meeting
- 23 July**
Final dividend payable
- November**
Announcement of interim results (unaudited)
- 2002 **January**
Interim dividend payable

FINANCIAL HIGHLIGHTS

REVENUE PROFIT (PRE-TAX) £M



ADJUSTED EARNINGS PER SHARE (PENCE)

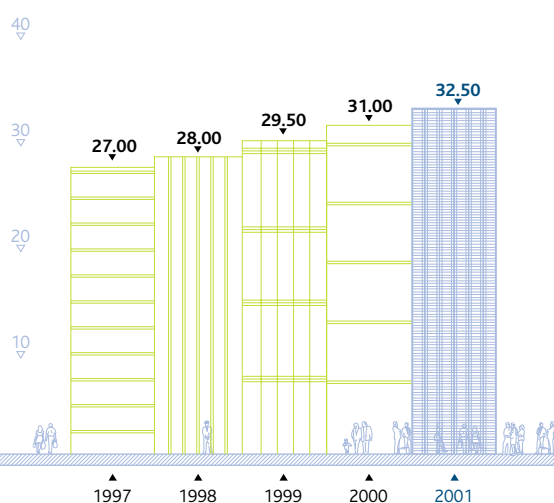


	31 March 2001	31 March 2000	Change %	Ten Year Compound Growth %
NET PROPERTY INCOME	£497.5m	£457.2m	+8.8	+4.6
*REVENUE PROFIT (PRE-TAX)	£308.9m	£301.7m	+2.4	+3.7
PRE-TAX PROFIT	£314.6m	£327.7m	-4.0	+3.5
*ADJUSTED EARNINGS PER SHARE	43.44p	40.86p	+6.3	+3.5
EARNINGS PER SHARE	44.57p	45.44p	-1.9	+3.5
DIVIDENDS PER SHARE	32.50p	31.00p	+4.8	+5.1
*ADJUSTED DIVIDEND COVER (times)	1.34	1.37		
DIVIDEND COVER (times)	1.37	1.52		
DILUTED NET ASSETS PER SHARE	1154p	1090p	+5.9	+5.6
PROPERTIES	£8,229.0m	£7,453.7m		
BORROWINGS	£1,757.1m	£1,556.3m		
EQUITY SHAREHOLDERS' FUNDS	£6,150.9m	£5,781.8m		
†GEARING (net)	28.1%	24.5%		
†INTEREST COVER (times)	3.04	3.11		

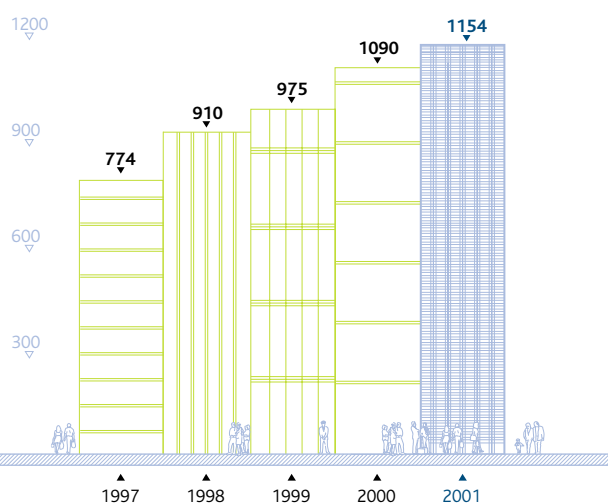
*Excludes results of property sales and bid costs.

†See glossary (page 72).

DIVIDENDS PER SHARE (PENCE)



DILUTED NET ASSETS PER SHARE (PENCE)



HIGHLIGHTS

- concluded our strategic review and restructured the Group into Portfolio Management and Development business units
- completed the acquisition of Trillium and created our Total Property Services business unit
- broadened our skill base by appointing three new executive directors
- invested £577.8m on acquisitions and developments for the investment property business
- increased the development programme spend to £2bn
- accelerated the portfolio rationalisation by selling 72 properties for £431.2m
- appointed preferred bidder for BBC property partnership contract

Since the year end

- appointed preferred bidder for BT property partnership contract
- completed acquisition of Whitecliff Properties for £63.4m

VALUATION

PORTFOLIO VALUATION

At 31 March 2001

	£m	Total %	Analysis of valuation surplus/(deficit) %
OFFICES			
WEST END AND VICTORIA	1,922.2	24.3	13.3
CITY AND MIDTOWN	1,503.1	19.0	6.5
ELSEWHERE IN THE UNITED KINGDOM	193.1	2.4	4.3
SHOPS AND SHOPPING CENTRES			
SHOPPING CENTRES	1,348.8	17.1	(2.8)
CENTRAL LONDON SHOPS	663.9	8.4	.4
OTHER IN-TOWN SHOPS	674.3	8.5	(4.2)
RETAIL WAREHOUSES AND FOOD SUPERSTORES			
PARKS	738.4	9.3	3.8
OTHER	222.2	2.8	.1
WAREHOUSES AND INDUSTRIAL	367.5	4.7	4.3
HOTELS, LEISURE AND RESIDENTIAL	272.4	3.5	(1.0)
TOTAL VALUATION	7,905.9	100.0	3.9

The portfolio valuation figures given above relate to the investment business comprising investment and development properties. The figures exclude properties owned by Land Securities Trillium. The portfolio valuation figures include a one third apportionment of the valuation attributed to properties owned by the Birmingham Alliance limited partnerships and a one half apportionment in relation to property owned by the Gunwharf Portsmouth limited partnership.

The investment portfolio was valued by Knight Frank at just over £7.9bn at 31 March 2001. After adjusting for sales, acquisitions and expenditure the value increased by 3.9%. Detailed breakdowns by sector, including comprehensive analyses of the Group's valuation and rental income, are shown above and on pages 5 and 16.

The last 12 months have been characterised by a mixture of very good and satisfactory rental growth, despite an increasing wariness from investors about future rental growth prospects. This has resulted in valuation yields rising with a consequent negative effect on capital values.

This trend has been evident for shops and shopping centres for the whole of the last 12 months and has extended, to a lesser degree, to all sectors of the market over the last six months. In most sectors, the positive impact of rental growth exceeded the negative impact of yield change. However, this was not the case for shops and shopping centres, for which institutional investors have moved from being net buyers to net sellers.

Across our portfolio, the benefits of diversification were manifest and the strong rental growth experienced on central London offices more than offset the negative impact of the adverse yield movement for shops and shopping centres.

After excluding those properties in the schedule of developments and refurbishments on pages 26 and 27 which were producing less than half of their anticipated income at 31 March, together with other vacant pre-development holdings, the value of the portfolio at 31 March 2001 was £7.36bn. At the same date, the annual rent roll, net of ground rents and excluding the same properties, was £496.1m, 6.7% of this figure.

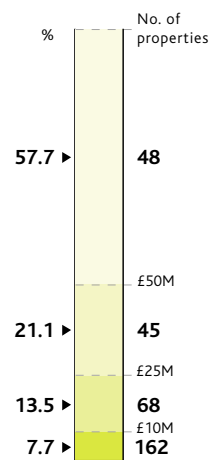
% RENTAL VALUE GROWTH

By sector for 12 months to 31 March 2001

OFFICES	▶ 24.8
SHOPS AND SHOPPING CENTRES	▶ 2.8
RETAIL WAREHOUSES AND FOOD SUPERSTORES	▶ 5.7
WAREHOUSES AND INDUSTRIAL	▶ 3.8
HOTELS, LEISURE AND RESIDENTIAL	▶ 3.8
INVESTMENT PORTFOLIO	▶ 12.0

PORTFOLIO BY VALUE

At 31 March 2001



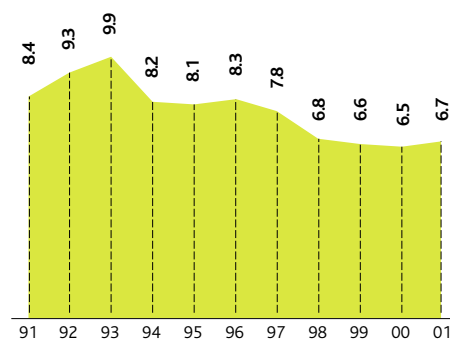
% YIELD ON PRESENT INCOME

By sector at 31 March 2001

OFFICES	▶ 6.9
SHOPS AND SHOPPING CENTRES	▶ 6.7
RETAIL WAREHOUSES AND FOOD SUPERSTORES	▶ 6.0
WAREHOUSES AND INDUSTRIAL	▶ 7.7
HOTELS, LEISURE AND RESIDENTIAL	▶ 6.5
INVESTMENT PORTFOLIO	▶ 6.7

% YIELD ON PRESENT INCOME

At 31 March



CHAIRMAN'S STATEMENT

It has been a year of solid progress for Land Securities during which we began to implement significant changes to the company based on developing three distinct business units: Portfolio Management, Development and Land Securities Trillium – a total property services business. We have taken important steps towards achieving our key objectives by increasing our development activity,



acquiring Trillium, several large properties and, since the year end, Whitecliff Properties. All of the company's activities are geared to enhancing shareholder value. While we have been repositioning the company, we have continued to maximise the value from the existing portfolio and this is reflected in the sound results achieved. The process of change is covered in more detail in the Corporate Review.

The Group increased revenue profit by £7.2m to £308.9m. The pre-tax profit of £314.6m was £13.1m less than the total for the previous year because of the exceptional level of profits from property sales in that period. Diluted net assets per share increased by 64p to 1154p per share following a valuation uplift of 3.9%. The Group invested £577.8m on developments and property acquisitions, acquired Trillium for £340.4m, inclusive of £170.9m of assumed net debt, and has sold properties for £431.2m.

The Board recommends a final dividend of 23.85p per share, an increase of 4.8% over last year, making a total distribution for the year of 32.50p, also an increase of 4.8%. The dividends paid and proposed will be covered 1.34 times after excluding the effect of property sales and bid costs.

The economic environment has become more uncertain with a downturn in the US economy and deflation in Japan. Although we are not immune from what is happening elsewhere in the world, the UK economy continues to be reasonably robust, with low unemployment and inflation under control. There is evidence that companies are cutting costs in response to lower levels of activity. Job cuts announced to date should not have a significant impact on our core office market but the situation is being actively monitored. The decline in the valuation of technology, media and telecommunication stocks was dramatic and has underlined the advantages of property as a solid investment. Direct commercial property has generated total returns slightly in excess

of UK equities over the past five years and significantly better returns over the last three years.

The quoted property sector continues to contract as management, disillusioned by the discount to net asset values at which property company shares trade, take their companies private. We have elected to follow a different course and have taken significant steps to become the occupier's partner of choice in the provision of real estate accommodation and services. We believe that by fulfilling the total property needs of occupiers, we will be able to grow our business and our earnings.

There have been several changes to your Board. We were saddened by the death of Sir Alistair Grant in January after a courageous battle against cancer and will miss his wise counsel. After a successful 31-year career with the Group, Keith Redshaw retired from the Board as an executive director in March this year. I would like to add my thanks to those of his colleagues and extend my best wishes to Keith for the future.

Your Board has been further strengthened by the appointment of Peter Walicknowski as director of strategy and business development and of Giles Henderson as a non-executive director. Giles was senior partner at Slaughter and May and brings with him a wealth of expertise to the group. Manish Chande joined the Board when we acquired Trillium and Francis Salway, who joined the Group in September last year to head up our new Portfolio Management business unit, was appointed to the

Board on April 2. Jim Murray announced last year his intention not to seek re-election at the next AGM and while he continues to serve I would like to take this opportunity to thank him for his most valuable contribution to the Group and the property sector over the past twenty years. We will be making an announcement in respect of his replacement shortly.

I welcome all the employees who have joined us from Trillium and Whitecliff Properties. I am encouraged by the professional and enthusiastic way in which our employees are responding to change and seizing opportunities presented. I should like to thank them for all they have achieved over the past year.

During an active year business initiatives have been bold, directed by Ian Henderson and his team comprising experienced Land Securities directors, augmented by several new executives who bring different skills and thinking to the Group. It is important that any organisation which is undergoing change has a combination of experience and new skills. The company has made acquisitions, has acquired new mandates and is, as a result, strengthened. Its finances are sound and the future outlook is improved as more opportunities are created in an ever-changing environment.



PETER G. BIRCH

CORPORATE REVIEW

More than 12 months ago we defined the principles to guide your company into a new era of market leadership and to take advantage of the growth opportunities within our sector. The arguments for pursuing this course are compelling. Inflation remains subdued while investors require improved real returns and occupiers demand a broader range of services. Asset accumulation alone will no longer deliver the necessary returns on equity to satisfy investors.



(Left to right)
Peter Walicknowski Strategy
Ian Henderson Chief Executive

We are reporting on a period of transition during which we have implemented a new structure and introduced additional skills to ensure delivery of our strategy. The objective is to become the preferred provider of commercial real estate and associated occupational services. We are looking beyond the bricks and mortar and seeking to access more of the expenditure generated by the occupier. The Group's sizeable asset base will underpin total return which we aim to enhance by applying intellectual capital as a driver and not just financial capital.

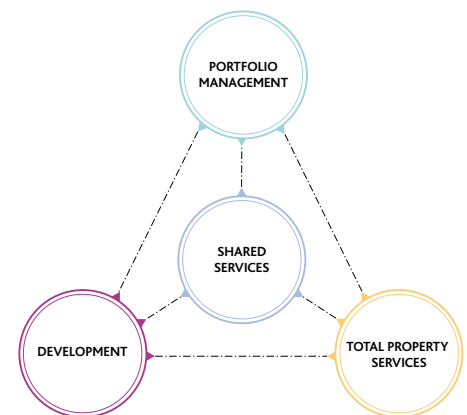
An important part of the delivery of this strategy was the acquisition of Trillium last November. We identified the opportunity to acquire this business through working with Trillium on joint venture PFI bids for the London Underground and BBC property partnerships. This acquisition created our third business unit, Land Securities Trillium, which focuses on the provision of total property services. Trillium, one of the leading providers of total property services, has been the owner and manager of the DSS estate since April 1998. Through working with Trillium we recognised the synergies from combining our asset-based property expertise with an innovative service-based culture. It is encouraging that Land Securities Trillium became the preferred partner for the BBC and BT property portfolios in March and April 2001 respectively.

The next 12 months will be a period of consolidation during which we will focus on exploiting our competitive advantage. This will come from integrating our core competencies and strengths under one brand to create, manage, service, finance and add value to individual properties or portfolios for the company, for partners and customers. This differentiates us from competitors in our sector and should make us the provider of choice for commercial real estate and related services.

The three new business units, supported by Shared Services, will promote operating efficiencies and flexibility. Within each business unit we will also be able to assess the individual risk and allocate our capital resources more effectively. The new structure allows for more effective performance measurement against external benchmarks and internal target rates of return. As part of this process we will be joining the Investment Property Databank (IPD) performance measurement and benchmarking service.

To promote the efficient utilisation of our balance sheet and to manage diversification of risk we have created an Investment Committee to assess requests for capital from the business units. These are measured against their required rates of return which are derived from the Group's weighted average cost of capital. Recommendations by the Investment Committee are then put to the Board for approval.

LAND SECURITIES BUSINESS MODEL



We believe that this approach will maximise the returns from our existing equity and promote the more efficient recycling of capital.

We have also formed a Senior Executive Group which meets regularly to exchange information, to explore new business opportunities and to maximise the benefits of collaboration between business units. The structure is now in place to move your company forward.

Looking to the future we see potential new opportunities. Rapid changes in technology and competitive pressures make it increasingly difficult

CORPORATE REVIEW continued



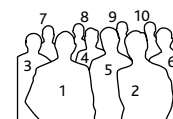
LAND SECURITIES BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

1. Ian Henderson
2. Peter Walicknowski
3. Jim Murray
4. Manish Chande
5. Mike Griffiths
6. Francis Salway

NON-EXECUTIVE DIRECTORS

7. Sir Winfried Bischoff
8. Peter Birch
9. Giles Henderson
10. Peter Hardy



for the corporate occupier to predict its long term property requirements. Businesses need to adopt new approaches to their procurement of property and Land Securities can lead in the development of a range of alternative solutions to meet their needs.

Investment in risk management skills will enable us to price and manage the potential risk which arises from giving occupiers more flexibility. One way of achieving this is through developing partnerships with service providers. Another example is the proposal for the BT transaction which assumes the establishment of a joint venture partnership through a special purpose vehicle, which would involve a limited amount of equity participation for your Group.

In response to increasing demand from business for greater flexibility in the provision of office accommodation we are developing a product called LandFlex which will provide office occupiers with a wider choice. LandFlex will be introduced with the refurbishment of Empress State Building at Earls Court in West London.

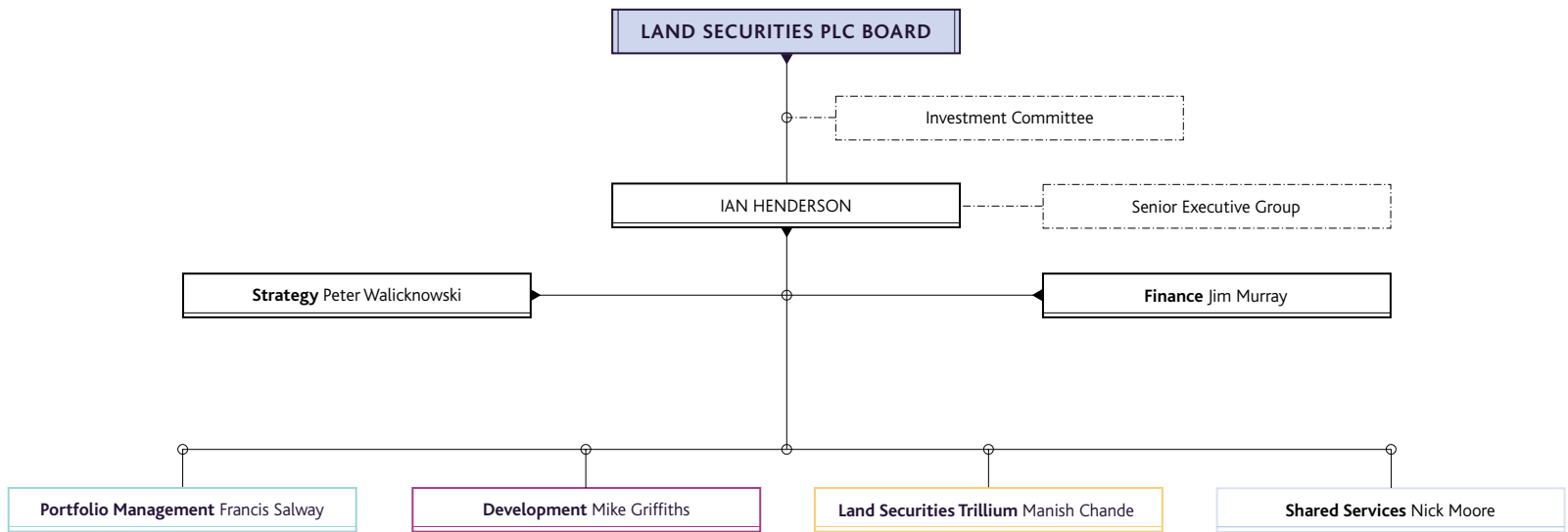
While some of the expectations surrounding new technology have not been met, the business community now has an infrastructure of marketing and work practices strongly influenced by IT. We are exploiting these advances through a number of initiatives including:

- A revenue-sharing partnership with a US company, Intellispace, to install and supply broadband capability to our commercial buildings;
- A fee-earning contract with TYCO for seven of our shopping centres to be fitted with installations to improve mobile phone coverage for shoppers;
- The development of websites for six of our larger shopping centres;
- The evaluation of smart card and in-centre mobile phone marketing schemes;
- The launch of Landscape, an innovative fee-earning software solution for managing the tax reporting requirements of large UK property portfolios, as a joint venture with Deloitte & Touche and Flint House Limited.

Through the acquisition of Trillium we believe that we have gained first-mover advantage in the growing market of private and public property outsourcing. We are also beginning to see synergies with Land Securities Trillium in terms of opening up opportunities across our existing portfolio.

While this market is relatively new and the speed at which it will grow is difficult to assess, our experience is that both corporate and public sector organisations are examining the outsourcing of property as a way to release capital and management time to focus on their core businesses. This trend may even be accelerated in times of economic slowdown.

The Development unit will focus on major opportunities which, because of their size or complexity, give the Group a competitive advantage to deliver significant development profits. This strategy is demonstrated by the acquisition of Whitecliff Properties, which brings with it one of the largest regeneration schemes in Europe and has short, medium and long term opportunities for generating value. Our role will be one of master planner and land developer but as each individual phase is brought to fruition we may bring in partners to share in the risk and capital commitment.



We still face a number of challenges. Despite the important role that property plays in generating wealth for the UK, the Chancellor continues to demonstrate his indifference to our industry by the disproportionate burden of stamp duty levied on property as compared to equities. The Government appears to be struggling to find a solution to long term planning for, and investment in, the UK’s infrastructure. London’s position as a leading financial centre is threatened by its outdated transport system. We are also concerned that the viability of urban regeneration is undermined by the tortuous and under-resourced planning system. As one of the industry’s leaders, we have a responsibility to highlight these issues with local and central government.

We aim to take advantage of our strengths and size to access new sectors and earnings streams and to focus on those areas in which we can become one of the dominant players. We will also concentrate on extracting above average returns from the existing portfolio while we continue to reposition the business.

We are excited by the opportunities being presented by the transformation of our industry. While maintaining focus on our core activities, we are seeking new ways to improve the accommodation and services we offer to the commercial community and to enhance the fabric of our urban environment. We believe that through these actions we will convince investors to have greater confidence in the capacity of the sector to deliver enhanced returns.

IAN J. HENDERSON

PETER WALICKNOWSKI

SENIOR MANAGEMENT

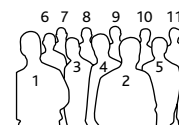
PORTFOLIO MANAGEMENT SENIOR MANAGEMENT TEAM

1. Richard Akers
2. Alf Strange
3. Robert Heskett
4. Francis Salway
5. Roland Nevett



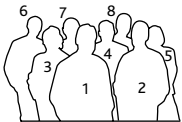
DEVELOPMENT SENIOR MANAGEMENT TEAM

1. Tim Seddon
2. Peter Frackiewicz
3. Neil Pennell
4. Bob de Barr
5. Nick West
6. Robyn Pyle
7. Peter Cleary
8. Graham Field
9. Mike Griffiths
10. Mike McGuinness
11. John Tauwhare



**TOTAL PROPERTY SERVICES
SENIOR MANAGEMENT TEAM**

1. David Godden
2. Ian Ellis
3. Robbie Wheeler
4. Manish Chande
5. Yvonne Wells
6. Nick Friedlos
7. Chris Cooper
8. Nick Foster



**SHARED SERVICES
SENIOR MANAGEMENT TEAM**

1. Tony Williams
2. Nick Moore
3. Peter Dudgeon
4. Akhtar Shah
5. Peter Harwood
6. Tony Dobbins
7. Jim Murray
8. Gareth Jones
9. Chris Oppé
10. David Rippon



PORTFOLIO MANAGEMENT



We have a diversified asset base focused on four sectors of the market which benefit from constraints on the supply of new accommodation. We value our occupiers as much as our buildings, and we seek to strengthen relationships with occupiers by direct management of the portfolio.

A handwritten signature in black ink that reads "Francis Salway".

FRANCIS SALWAY

Food court at the White Rose Shopping Centre, Leeds where over 1.2 million meals and refreshments were served during the year.



Top left, Members of our legal and retail warehouse teams review plans for a new development.

Bottom left, Our latest retail acquisition Gunwharf Quays, Portsmouth.

Middle, Property location plan.

Top right, Rent accounts management, an integral part of Land Securities' service offer.

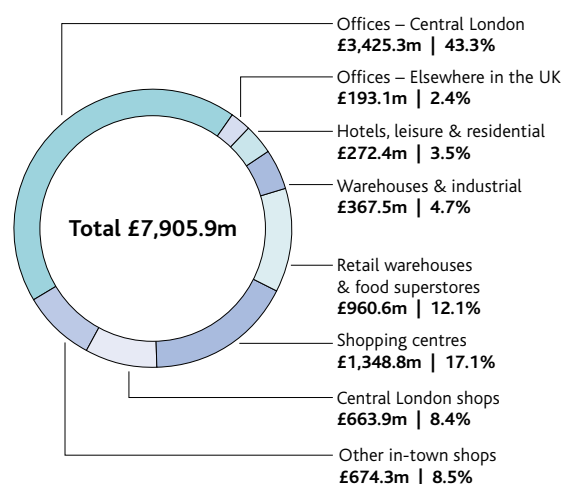
Bottom right, Our largest single property acquisition One New Change, London EC4.



PORTFOLIO MANAGEMENT continued

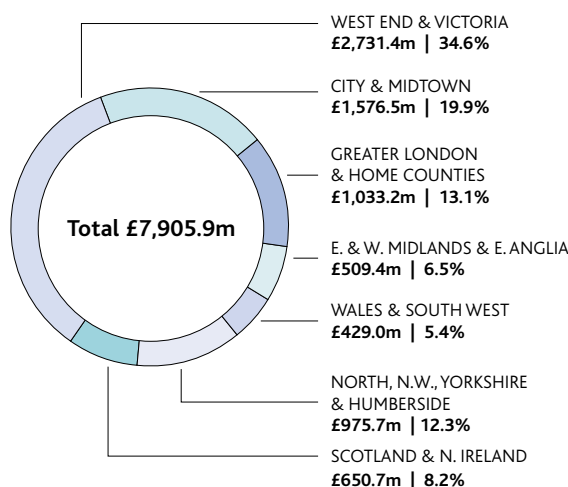
PORTFOLIO VALUATION BY TYPE

At 31 March 2001



PORTFOLIO VALUATION BY LOCATION

At 31 March 2001



SECTOR FOCUS

Land Securities has a diversified but focused investment portfolio. This gives protection against the negative effects on valuation and share price which can arise from focusing exclusively on a single sector of the market if that sector enters a phase of under-performance. Our four core areas of investment are:

CENTRAL LONDON OFFICES AND SHOPS

SHOPPING CENTRES

RETAIL WAREHOUSES

SOUTH EAST INDUSTRIAL

Properties falling within these four categories make up almost 85% of the total portfolio. During the last 12 months we have continued our sales strategy to increase our focus on these four core areas of activity.

Each of these sectors of the market is characterised by constraints on the supply of land, which will drive rental growth. The scale of our activities is such that we hold market leading positions in three of these four sectors. We have the advantages of sector focus but with the additional benefits arising from diversification.

During the year we have restructured our portfolio management team to facilitate performance benchmarking and to increase the emphasis on the recycling of capital. We have made new internal appointments for the positions of heads of London

and Retail portfolio management. We have also rationalised our property management structure with the closure of our Birmingham and Kingston management offices.

THE GENERATION OF RENTAL GROWTH

Across all sectors of our portfolio, we recognise that we cannot rely on overall market movements to generate rental growth or, certainly, rates of rental growth which exceed market norms. We have been driving rental growth by negotiating early surrenders of existing leases at many of our multi-tenanted properties and reletting at record rental levels both for the property and for the locality. To ensure that we have the greatest opportunity to apply our asset management skills in this way, we have been and are continuing to sell a number of single-tenanted and smaller multi-tenanted properties.

INVESTMENT ACTIVITY

Purchases

Over the last 12 months, we acquired a total of 12 property interests at an aggregate cost of £383.4m. Almost 90% of this sum related to four properties:

One New Change, London EC4 (office and retail)
 10/30 Eastbourne Terrace, Paddington
 London W2 (office)
 49 Leadenhall Street, London EC3 (office)
 Gunwharf Quays, Portsmouth (retail)

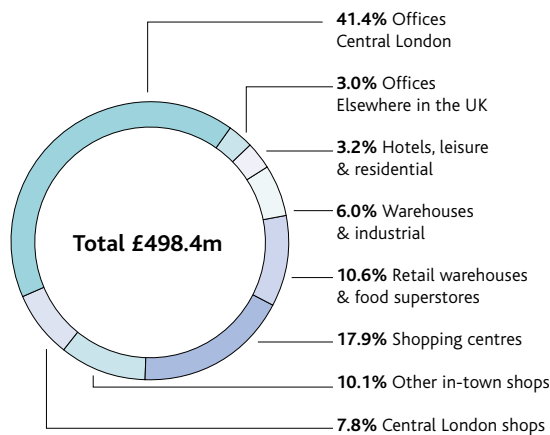
All three London office acquisitions offer the potential for refurbishment or redevelopment in the medium term. As the outstanding term on the existing leases on these properties is 10 years or less, some potential purchasers would have found it difficult to raise debt to finance these acquisitions on attractive terms; our balance sheet strength gave us competitive advantage in these situations.

One New Change was acquired last autumn and provides 32,650m² of offices and over 2,400m² of retail on a site of 1.1 hectares opposite St Paul's Cathedral in the City. Existing leases expire mainly in 2006, which then offers the opportunity for either a refurbishment or redevelopment. As well as being a prime location for offices, the site also benefits from having a retail frontage onto Cheapside which is the highest rented shopping pitch in the City. We believe that we can enhance the retail value of the site by either refurbishment or redevelopment. The total cost including stamp duty was in excess of £185m, giving us an initial yield of 7.2% which, based upon current rental values, is expected to rise to 8.2% by 2002.

At Eastbourne Terrace we acquired a 16,780m² freehold office building for over £50m. The property is let at a rent of approximately £268 per m² to show a yield of 8.6%. The lease structure provides us with the opportunity for redevelopment in 2010 in an area of central London which is enjoying significant regeneration and rental growth.

RENTAL INCOME BY TYPE

Year ended 31 March 2001



We invested over £65m to acquire a 12,230m² office building at 49 Leadenhall Street to show a yield of 7.4%. The property adjoins one of our existing holdings and the combination of the two sites gives the potential to increase the floor area significantly on redevelopment.

At Gunwharf Quays in Portsmouth we have acquired a 50% interest in a new mixed-use development fronting the harbour. The main element of the scheme is a designer outlet centre, which is combined with leisure facilities, restaurants and waterfront offices. Our joint interest is held by way of a limited partnership with the Berkeley Group. Part of the purchase price has been paid and the balance is to be paid at future dates dependent upon lettings and the completion of further phases. Our total commitment to the scheme is estimated to be over £80m to show an effective minimum yield of 7%. This retail investment is consistent with our view that, aside from convenience shopping trips, retailing is becoming a leisure activity with the strongest rental growth likely to emerge from locations and schemes which offer an enhanced experience by way of complementary leisure activities or a high quality environment.

Sales

During the year we sold 72 properties for a total of £431.2m. The majority of the sales were small retail holdings which included 48 retail properties in

high street locations for an aggregate figure of £109m and small shopping centres in Newbury, Maghull and Tamworth for approximately £43m.

The two major office sales were over-rented buildings in the City of London at King William Street EC4 and Gresham Street EC2, which were sold for an aggregate of £130m.

In the industrial sector, we sold three large single-tenanted properties at Weybridge, Hinckley and Banbury to which we could not expect to add significant further value. We also took the opportunity to sell industrial properties located outside our core area of focus of the South East, including holdings in Northampton, Rochdale and Glasgow.

Many of the properties sold during the year were acquired by private property companies or individuals taking advantage of the availability of bank finance to raise a high proportion of the purchase price by way of debt. From our perspective, the properties sold were characterised by having below average prospects for future rental growth.

Over the last three years the Group's sales programme has reduced the number of individual property holdings from over 650 to 323. The ongoing programme will include further sales of smaller property holdings over the next 12 months.

Thereafter, most of the remaining small holdings will offer marriage value opportunities and will be held until these can be realised.

PORTFOLIO MANAGEMENT OFFICES

VALUATION
31 MARCH 2001

£3,618.4m

% OF GROUP VALUATION

45.7%

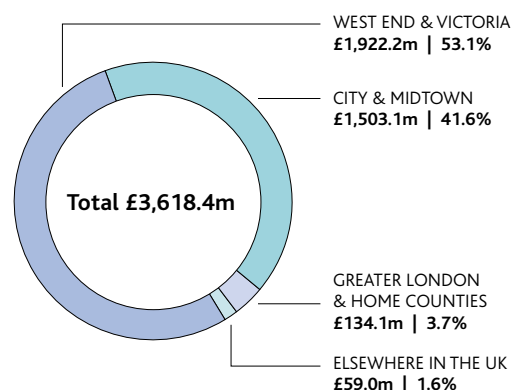
RENTAL INCOME
YEAR ENDED 31 MARCH 2001

£221.5m

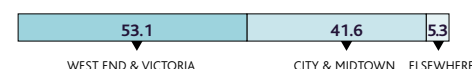
% OF GROUP
RENTAL INCOME

44.4%

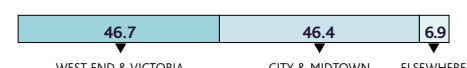
VALUATION BY LOCATION



VALUATION %



RENTAL INCOME %



% VOIDS BY RENTAL VALUE	▶ 0.4
% REVERSIONARY	▶ 18.7
AVERAGE UNEXPIRED LEASE TERM (years)	▶ 8.25

This portfolio, almost 95% of which is located in central London, was valued at just over £3.6bn at 31 March 2001. After allowing for sales and capital expenditure during the period the capital value increased by 9.9%. On a similar like for like basis, the rental value of the portfolio increased by 24.8%.

The fact that rental values have increased significantly more than capital values is healthy in terms of future performance prospects. We expect a valuation boost in future years when the prospective reversionary income is converted into actual income following rent reviews.

For the third year in succession central London offices have shown the highest rate of rental growth of all the recognised sub-sectors of the market in the UK. However, prime rents are still approximately 20% below 1989 levels in real terms. The London office market now enjoys the lowest vacancy rates since the late 1980s but, unlike at that time, the speculative development pipeline is now modest in size. We expect rental growth to remain positive for central London offices in the short to medium term, but to be lower than over the last three years.

The sustained period of rental growth has resulted in significant increases in rent from many of the reviews concluded during the last 12 months. An example is Westminster City Hall in Victoria Street SW1, where the rent has more than doubled over the last five years.

We have also been actively managing our multi-tenanted office holdings to drive rental growth. At Portland House in Victoria (27,610m²) and Moorgate Hall in the City (6,090m²), we accepted surrenders of leases of individual floors and relet at rents which were 70% (following refurbishment) and 29% respectively above the rental values at 31 March 2000. We also accepted a surrender of two floors at Veritas House in the City prior to reletting at a rent 30% above the prior year end rental value; subsequently we marketed the property for disposal and completed the sale in April 2001.

Looking forward, we are conscious of the increasing demand from businesses for greater flexibility in the provision of office accommodation. Land Securities Trillium offers flexibility across the whole of a company's portfolio within a long term contract by allowing the company to vacate a proportion of its accommodation each year. The Portfolio Management unit is tackling the challenges of flexibility for occupiers through its LandFlex concept. We are proposing to grant office occupiers short leases on a service charge inclusive basis and we are working with Land Securities Trillium to develop a business model for the provision of additional office services. We intend to apply the model first to our proposed refurbishment of Empress State Building at Earls Court in West London, a 27 storey tower block with the potential to provide over 27,000m² of offices. Tenants in the building will be offered broadband capability

through our partnership with Intellispace, which already provides this facility at Portland House in Victoria. The broadband service will soon be introduced to 16 other multi-let buildings in our London office portfolio.

We expect to focus the LandFlex concept on buildings of 10,000m² or more which offer scale advantages in terms of the staffing numbers required to provide differentiated levels of services to occupiers. The size of these complexes will reduce the risk associated with short leases as no single occupier will be dominant and a significant demand for vacated space will be generated by occupiers already within the buildings. We expect that, for the most part, the buildings will be located in central but slightly off-prime locations. The leasing product will thereby add greater value to the underlying bricks and mortar.

We are taking advantage of the specialist expertise within Land Securities Trillium to assess whether unitary charging within a long term contract can be applied to any of the properties within our London investment portfolio. We believe that there will be relatively few opportunities where existing leases are in place, but we anticipate that the ability to offer the Land Securities Trillium unitary charge product will increase our competitive advantage when seeking occupiers for major new development schemes in London.

PORTFOLIO MANAGEMENT SHOPS AND SHOPPING CENTRES

VALUATION
31 MARCH 2001

£2,687.0m

% OF GROUP VALUATION

34.0%

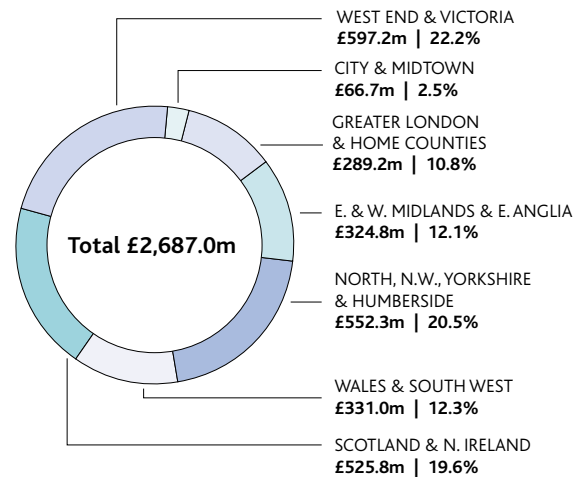
RENTAL INCOME
YEAR ENDED 31 MARCH 2001

£178.7m

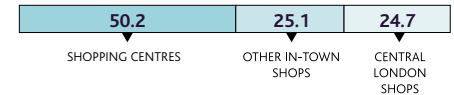
% OF GROUP
RENTAL INCOME

35.8%

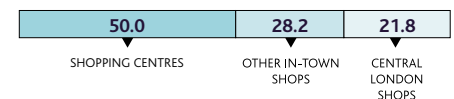
VALUATION BY LOCATION



VALUATION %



RENTAL INCOME %



% VOIDS BY RENTAL VALUE ▶ 1.2

% REVERSIONARY ▶ 11.4

AVERAGE UNEXPIRED LEASE TERM (years) ▶ 11

The portfolio was valued at almost £2.7bn at 31 March 2001. After allowing for sales and capital expenditure during the period the capital value decreased by 2.4%. On a similar like for like basis, rental values increased by 2.8%.

A year ago there were considerable fears about the potential impact of e-commerce on retailing. Following the subsequent failure of a number of e-commerce ventures some of these fears receded. While internet sales will inevitably become a significant force in a limited number of sectors of the retail and consumer service markets, the proportion of sales via the internet is likely to fall well short of the proportion of total retail expenditure now taking place in out of town locations. A more serious feature over the last 12 months has been the deflationary pressures which have been experienced within certain categories of retailing.

Against this background, we consider that the rental growth achieved over the last 12 months of 2.8% is a sound endorsement of the quality of our retail portfolio. In a number of shopping centres, we have accepted surrenders of leases and reconfigured units to meet current retailer requirements and thereby

secured higher rental levels. At the Rivergate Centre in Irvine, we took a surrender of a Tesco supermarket within the mall and reconfigured it to provide seven large shop units which were let at rents some 23% above the previous rental values for the mall. Through active asset management we secured rental increases of 10% in Lord Street, Liverpool and of 14% in Hull. We also achieved rental growth at the Almondvale Centre in Livingston, where the opening of the Designer Outlet Centre, a 50:50 joint venture between BAA McArthurGlen and ourselves, boosted the ranking of the town within the retail hierarchy.

Retailing in central London was generally more buoyant than in many other city centres. The average rental growth on our London retail holdings during the year was 5%. In Victoria Street, where we have significant retail holdings, we negotiated a lease surrender and relet the unit to show an uplift of 23% in rental value.

Notwithstanding these successes, town centre retailing was the weakest sector of the market over the last 12 months, with any positive rental growth being more than counterbalanced by the impact of an adverse yield shift.

Looking forward, we plan to exploit further the footfall through our shopping centres. We estimate that there are in excess of 150 million visits each year to our various centres and we are currently pursuing a number of initiatives to generate additional income from companies keen to access the high level of customer visits.

PORTFOLIO MANAGEMENT RETAIL WAREHOUSES AND FOOD SUPERSTORES

VALUATION 31 MARCH 2001

£960.6m

% OF GROUP VALUATION

12.1%

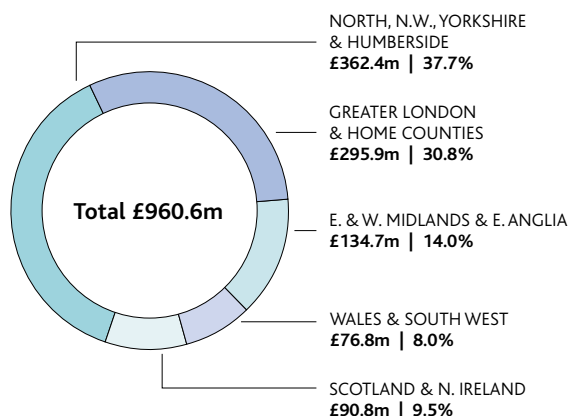
RENTAL INCOME YEAR ENDED 31 MARCH 2001

£52.6m

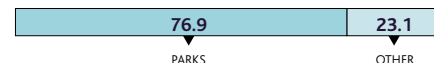
% OF GROUP RENTAL INCOME

10.6%

VALUATION BY LOCATION



VALUATION %



RENTAL INCOME %



% VOIDS BY RENTAL VALUE ▶ 3.1

% REVERSIONARY ▶ 12.6

AVERAGE UNEXPIRED LEASE TERM (years) ▶ 20.5

The portfolio was valued at £960.6m at 31 March 2001. After allowing for sales and capital expenditure during the year the capital value increased by 2.9%. On a similar like for like basis the rental value growth was 5.7%.

During 2000 the retail warehouse market continued to respond to the Government’s restrictive planning policies in relation to out of town retail development. As a result of these restrictions an increasing proportion of development activity across the country is now focused on existing retail parks which are being reconfigured or redeveloped either in whole or in part. In addition, a number of ‘value’ retailers requiring open A1 planning consents are now considering ‘solus’ stores as opposed to retail parks.

We have benefited from both these trends during the year with an active asset management and development programme across our larger parks and material rental growth on some of our smaller holdings. These favourable trends were, however, partially offset by a modest weakening of investment yields.

We have identified many development opportunities within our retail warehouse portfolio and these are expanded upon within the Development section on page 25.

Our retail warehouse portfolio comprises just under 500,000m² including 25 retail parks. This makes us the largest owner of retail parks in the UK. One of the advantages of our dominant position in the market is the ability to forge close links with the major retailers and to respond to their changing requirements, whether it be to take larger units or to reduce the space they trade from.

At Aintree Retail Park in Liverpool we started redevelopment of the B&Q unit to double the size of their store to approximately 10,000m². At the same time we agreed the surrender and reletting of three units to Comet. This activity has resulted in rental values increasing from £148 per m² at the beginning of the year to £200 per m². We are also taking advantage of this activity to upgrade the car parking, landscaping and signage.

At Gateshead we have negotiated surrenders on 6,400m² of space. This has been relet to Allied Carpets, PC World, Curry’s and Holiday Hypermarket. We enlarged one unit to 1,400m² for Harveys and also developed a stand-alone unit for The Link’s first out of town store. We continue to improve the appearance of the park through external refurbishment of the units. This has resulted in rental growth of 25% over the 12-month period. Similar activity has been carried out at our parks at Erdington, Stockton-on-Tees, West Thurrock and Manchester.

In respect of reviews completed during the year, we achieved a 51% increase in rents, reflecting both the strength of the out of town market and our active management of the portfolio.

We also acquired the Livingston Retail Park for just under £19m. This is adjacent to our Almondvale Shopping Centre and gives us a dominant position in the town in terms of ownership of both town centre retailing and retail warehousing.

In our portfolio our objective is to create an attractive shopping environment with a diversity of complementary tenants providing a retail offer with broad appeal. The flexibility of the lettable space differentiates this market from town centre retailing and has been instrumental in attracting a wider range of retailers to out of town locations. We believe that this trend, combined with increasingly restrictive planning policies, will continue to drive rental growth in the retail warehouse sector.

PORTFOLIO MANAGEMENT WAREHOUSES AND INDUSTRIAL

VALUATION
31 MARCH 2001

£367.5m

% OF GROUP VALUATION

4.7%

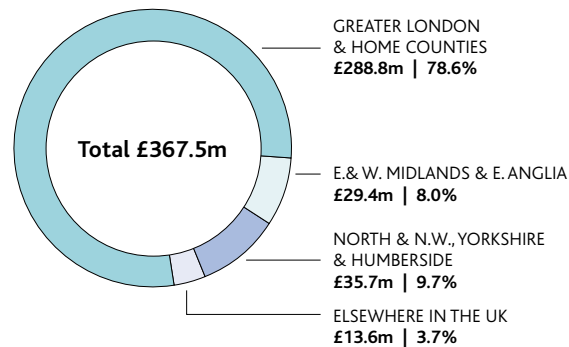
RENTAL INCOME
YEAR ENDED 31 MARCH 2001

£29.8m

% OF GROUP
RENTAL INCOME

6.0%

VALUATION BY LOCATION



% VOIDS BY RENTAL VALUE	▶ 2.7
% REVERSIONARY	▶ 6.4
AVERAGE UNEXPIRED LEASE TERM (years)	▶ 9.5

This portfolio was valued at £367.5m at 31 March 2001. After allowing for sales and capital expenditure during the year the capital value increased by 4.3%. On a similar like for like basis the rental value growth was 3.8%.

After a period of three years when capital values in the industrial and warehouse sectors enjoyed a significant boost from a yield re-rating, performance last year was very much dependent upon rental growth.

Satisfactory rental growth was achieved throughout the UK during the period but, as in recent years, rates of rental growth were stronger in the South East than in other regions of the country. Currently just under 80% of our portfolio is located in the South East. Sales planned for the forthcoming year will further increase the emphasis of the portfolio on the South East.

At two of our larger industrial estates in the South East, West Thurrock and Heston, by reletting units we have increased the rental values applied across these estates by about 15%. At Chandlers Ford near Southampton, we constructed a 4,300m² extension to an existing unit of 10,760m² which both created a development profit and increased the rental value of the whole unit by around 8%.

As investor demand for industrial and warehouse properties in the South East has driven investment yields to low levels, we have increasingly turned to development to generate higher levels of returns. During the year we secured four new development opportunities at Guildford, Hemel Hempstead and two sites at Basildon. More information is provided on the industrial development schemes on page 25.

We plan to increase the size of the development programme further through new acquisitions and also through seeking planning permission on parcels of land which we have under option. These include two sites totalling over eight hectares close to Heathrow and 120 hectares adjacent to the M1 at Milton Keynes which is held in a joint venture with Gazeley Properties.

DEVELOPMENT



We aim to be the UK's recognised leader in creating value through commercial development projects, demonstrating quality and innovation as well as economic and environmental sustainability. We are continuing with our policy of focusing on major developments where we enjoy a competitive advantage as a result of our balance sheet strength.

Phase II of The Bridges Shopping Centre, Sunderland completed during the year.



Land Securities Development's team, which now includes the staff of Whitecliff Properties, comprises a group of enthusiastic and skilled executives dedicated to developing and project managing our £2bn programme. Our objective is to embrace the latest technological and environmental advances as well as to design our buildings to satisfy the requirements of today's commercial occupiers, while respecting the need for sustainability.



MIKE GRIFFITHS

Top left, Kent Thames-side project review.

Bottom left, Archaeological dig at Gresham Street.

Middle, The Link's first out-of-town retail unit at Gateshead.

Top right, The Talk Direct letting team discussing retail development marketing strategy.

Bottom right, LandFlex, a new Land Securities product, development team meeting.



DEVELOPMENT continued



Left,
Reviewing Empress State Building plans.



Right,
Birmingham development
planning meeting.

CENTRAL LONDON OFFICES

In central London there continues to be a shortage of supply of new offices relative to demand, despite the economic slowdown. Our schemes are due to be completed over a number of years and will only be implemented if we are confident that economic conditions are favourable at the time. The proportion of speculative development which we undertake at any one time is carefully monitored in the light of anticipated occupier demand. In the meantime we continue to benefit from income from many of those properties which we are proposing to redevelop.

The redevelopment of Portman House W1 is due for completion in September 2001 and we have already agreed to let 25% of the 9,430m² of office space, subject to completion of legal documentation. Based on the rents that have been agreed we anticipate that this development will provide an income return of 10.4% on the total development cost.

At 30 Gresham Street EC2, following receipt of planning permission for 34,840m² of offices and 1,250m² of retail, we have demolished all of the original properties except for 1-6 Milk Street and an archaeological investigation is being undertaken. A building contract will be awarded shortly and work is due to start in August 2001 with completion programmed for August 2003.

Following extensive discussions with the Corporation of London, we have modified our

proposed scheme at New Fetter Lane EC4 and submitted revised plans which will provide 65,310m² of offices and 8,180m² of retail/leisure. We hope to receive planning permission shortly.

Our proposals for a major scheme at Esso and Glen Houses in Victoria Street SW1 which comprises 47,190m² of offices and 10,780m² of retail were reviewed by Westminster's Planning Committee last November. Since then we have made a number of adjustments to reflect their comments and have submitted revised plans. We are hoping for an early resolution of our planning application.

We have consulted Southwark Council and other interested groups about our plans for the possible redevelopment of St Christopher House in Southwark Street SE1. We are developing proposals for an office-led mixed-use scheme and intend to submit a planning application by the autumn.

Working in close collaboration with the Group's other business units we are progressing proposals for the refurbishment of Empress State Building for our new LandFlex concept.

RETAIL

We continue to implement our urban regeneration programme, which is being driven by the social, technological and economic changes that affect us all. In response to these drivers we are working in close partnership with local authorities and communities

to shape our towns and cities to attract new businesses, create employment and the right climate for continued economic growth. Our metropolitan centres must be vibrant and enjoyable places in which people choose to live, work and play in comfort and safety.

We are concentrating our retail development programme on dominant town and city centres which we believe will provide the best returns in this sector. The nature of these schemes inevitably involves complex and sensitive planning issues which can have an adverse impact on the timing for this type of project.

Where we consider it to be appropriate, we will enter into partnerships to share both the risks and the rewards for major mixed-use urban regeneration projects.

Last August we opened the extension to The Bridges shopping centre at Sunderland with only one small unit unlet. We completed the redevelopment of 18/32 Market Square in January and started work on 6/16 Market Square in December. When the latter is completed our holdings in Sunderland will provide a combined total of 51,140m² of retail space situated adjacent to the town's two key public transport hubs.

The 26,790m² Designer Outlet Shopping Centre at Livingston was opened last October and some 83%

of the anticipated base rent roll had been secured by the year end. Working in conjunction with our partner BAA McArthurGlen, we continue to market the remaining units by targeting specific occupiers to ensure we achieve our preferred tenant mix.

At Canterbury, work on the early phases of the Whitefriars shopping centre is progressing to programme and the site for the new department store has been handed over to Fenwick. This development is being built in phases to accommodate a major archaeological dig and to maximise the continuing income flow, with final completion of the scheme due in the summer of 2006.

Following the strategic decision to defer the planning inquiry for our proposed development at Exeter, we have carried out further extensive research and consultation with all interested local and national bodies. We now intend to appoint new design consultants to prepare a revised planning application.

At Coppergate York, despite 'minded to grant' approval from the local authority and support from English Heritage for our revised plans, the Secretary of State has called in our planning application. Also in York, at Hungate, we are progressing the masterplan in a joint venture with Evans of Leeds. The scheme is predominantly residential and we are developing our proposals in collaboration with a leading UK residential developer.

The Birmingham Alliance, a partnership with Hammerson plc and Henderson Global Investors, is making significant progress on two major retail-led urban renaissance schemes in the heart of the City. At Martineau Place the 1,980m² Sainsbury's unit opened for trade on programme. The remaining 14,740m² of retail units are due for completion this autumn. 85% of the rent roll of this scheme is now either committed or agreed subject to completion of legal documentation. At the New Bull Ring, the indoor covered market opened last October and demolition of the old shopping centre was completed in March this year. Construction of the 111,480m² centre, which includes department stores for Selfridges and Debenhams, is underway and already 37% of the anticipated income is secured or is in solicitors' hands. The centre is due to open for Christmas trading in 2003.

Last October we announced our intention to form a partnership, called the Bristol Alliance, with Morley Fund Management, Hammerson plc and Henderson Global Investors, to redevelop the Broadmead area of Bristol. The plans for this mixed-use scheme, which are at a very early stage, include approximately 83,610m² of retail space anchored by a new department store together with restaurants, leisure facilities, new homes and some offices.

RETAIL WAREHOUSES AND FOOD SUPERSTORES

At Almondvale South, Livingston, we have planning permission for an 8,360m² store for Homebase with a second phase of 9,380m² of standard retail warehouse units and a restaurant. Development will start in early June.

At Dundee we have received planning permission to create a regional park of 29,730m² and anticipate a start on site in June. Over 47% of the new space is pre-let or agreed to be pre-let subject to completion of lease documentation. Tesco will build a 9,290m² 'Extra' store as an integral part of the development.

LEISURE

Construction of The Gate, our 17,500m² city centre leisure scheme at Newcastle Upon Tyne, started last November and is due for completion in July 2002. The multiplex cinema is pre-let to Odeon Cinemas and a further 4,120m² has been let or is in solicitors' hands, securing a total of 47% of the anticipated income.

WAREHOUSES AND INDUSTRIAL

At Cobbett Park in Guildford we acquired a 60 year leasehold interest on the former cattle market site. We then agreed terms to restructure our interest to a 150-year ground lease at a peppercorn rent and obtained planning consent for redevelopment. We will shortly start construction of a 11,610m² scheme arranged in 10 units which is due for completion in March 2002.

We have two schemes at Basildon. At Juniper, the refurbishment of the existing complex is underway to create 21,510m² of warehouse/industrial space in three units with a 2,920m² office building. Terms have been agreed to let the offices. We have planning permission for a further phase of 11,980m² of warehouse/industrial space. At Zenith, we are working in conjunction with the previous site owner

to allow development on the majority of the site while they continue in occupation of part on a short term basis. This development will provide 15,090m² of industrial and warehouse accommodation in eight units.

We have obtained detailed planning consent for a 23,230m² scheme at Horizon Point, Hemel Hempstead. Phase 1 will commence in June.

In Cardiff we completed the construction of Phase 1 of our development of three units at Ocean Park totalling 5,760m², one of which is let.

At Welwyn Garden City we completed the construction of a 12,960m² warehouse in January 2001 which was pre-let to W T Foods who have now taken occupation. We are well advanced with pre-letting negotiations on the remaining one hectare site, with construction of a 3,860m² building expected to start in June 2001.

KENT THAMES-SIDE

With the acquisition of Whitecliff Properties from Blue Circle Industries, we have secured 290 hectares of land, in key locations at Kent Thames-side, together with a joint venture agreement to develop 330 hectares in the same area, at Ebbsfleet and Swanscombe.

Kent Thames-side is one of two key development areas in Thames Gateway, formerly known as the East Thames Corridor. The acquisition will create a new urban district with direct access to the Channel Tunnel rail link which will provide high speed rail connections direct to London and mainland Europe when the link is completed in 2007. The whole area recently received a significant endorsement when the Deputy Prime Minister confirmed the Government's commitment to the second phase of the rail link.

The acquisition also included development schemes at Crossways and Stonecastle, in the same area, and a mixed-use leisure and industrial scheme at Cambridge.

DEVELOPMENT SCHEDULE

During the year under review we completed some 71,590m² of the development programme. The most significant projects were Phase II of the Bridges, Sunderland, which produced a development surplus of £21.3m and an income return of just over 9% on total development cost and the Designer Outlet Shopping Centre in Livingston which produced a development surplus of £5.2m and, when fully let, we anticipate an income return of 8.7%. Developments completed during the year produced a total surplus of £32.4m over the period of development and developments currently in progress have so far provided a £33.9m surplus.

Last year we reported a development programme with an estimated capital cost of £1.65bn exclusive of interest and the book value of those properties in our portfolio prior to assembling the programme. This included £128m in respect of projects completed in the year ended 31 March 2000. After excluding those projects, the estimated capital cost of the programme set out on the schedule opposite is approximately £2bn of which £94.3m relates to the completed projects listed in the first section of the schedule and £576.5m to those in progress listed in the second section. The balance of £1.3bn relates to expenditure on the proposed developments. The outstanding expenditure of some £1.58bn required to complete the programme will be spread over a number of years.

Including our share of joint developments, the programme set out in the schedule opposite would provide approximately 735,240m² of which 179,310m² is in progress and 497,730m² is proposed.

The wholly owned schemes set out in the adjacent schedule would produce in total over:

- 144,190m² of new shopping development
- 24,620m² of shopping centre refurbishment
- 249,670m² of central London offices
- 4,020m² of regional offices
- 19,660m² of leisure
- 61,430m² of retail warehouses
- 114,360m² of warehouses and industrial

In addition, we have a one third interest in the Birmingham Alliance projects of 248,970m², a half interest in the 26,790m² Designer Outlet Shopping Centre in Livingston and a quarter interest in the Bristol Alliance project of 83,610m².

Many of the schemes are at the feasibility stage and will only proceed when detailed design work and site assembly are complete, consents obtained and viability confirmed.



Designer Outlet Shopping Centre, Livingston.

DEVELOPMENTS COMPLETED DURING THE YEAR ENDED 31 MARCH 2001

- **DESIGNER OUTLET SHOPPING CENTRE, LIVINGSTON**
18,910m² retail and 7,880m² leisure, including multiplex cinema (joint ownership with BAA McArthurGlen).
Completed October 2000. £41.2m
- **THE BRIDGES, SUNDERLAND PHASE II**
24,620m² retail.
Completed August 2000. £41.5m
- **18/32 MARKET SQUARE, SUNDERLAND PHASE I**
1,460m² retail.
Completed January 2001. £2.1m
- **NEPTUNE POINT, OCEAN PARK, CARDIFF PHASE I**
5,760m² industrial/distribution warehousing.
Completed September 2000. £4.3m
- **WELWYN GARDEN CITY SITE A**
12,960m² industrial/distribution warehousing.
Completed January 2001. £5.2m

£m refers to estimated capital expenditure



Canterbury site meeting.



Victoria development model.



Kent Thames-side.

DEVELOPMENTS IN PROGRESS AT 31 MARCH 2001

- **PORTMAN HOUSE W1 (FORMERLY GULF HOUSE)**
9,430m² air conditioned offices and 1,860m² additional retail.
Completion due September 2001. £40.3m
- **30 GRESHAM STREET, EC2**
34,840m² air conditioned offices (shell and core) and 1,250m² retail.
Completion due August 2003. £204.6m
- **THE BIRMINGHAM ALLIANCE** (limited partnerships with Hammerson plc and Henderson Global Investors):-
 - **MARTINEAU PLACE, BIRMINGHAM**
16,720m² retail development.
Completion due October 2001. £14.6m
 - **NEW BULL RING, BIRMINGHAM**
111,480m² retail development.
Completion due September 2003. £136.9m
- **WHITEFRIARS, CANTERBURY**
35,770m² retail development with some residential accommodation.
Phased completion to June 2006. £87.6m
- **6/16 MARKET SQUARE, SUNDERLAND PHASE II**
1,840m² retail.
Completion due February 2002. £2.6m
- **THE GATE, NEWCASTLE UPON TYNE**
17,500m² leisure complex, including multiplex cinema. Completion due July 2002. £63.2m
- **AINTREE RACECOURSE RETAIL PARK, LIVERPOOL**
9,660m² retail warehousing. Completion due September 2001. £9.7m
- ★ **JUNIPER PHASE I, BASILDON-REFURBISHMENT**
21,510m² industrial/distribution and 2,920m² offices.
Completion due June 2001. £17.0m

PROPOSED FUTURE DEVELOPMENTS

- **NEW FETTER LANE, EC4**
65,310m² air conditioned offices and 8,180m² retail/leisure.
- ★ **ST CHRISTOPHER HOUSE, BANKSIDE**
65,030m² air conditioned offices and 4,650m² retail.
- **ESSO HOUSE/GLEN HOUSE (INCLUDING 16 PALACE STREET) SW1**
47,190m² air conditioned offices and 10,780m² retail.
- ★ **EMPRESS STATE BUILDING**
27,870m² air conditioned offices.
- **CAXTONGATE PHASE III, NEW STREET, BIRMINGHAM**
6,500m² retail with some residential accommodation.
- **THE BIRMINGHAM ALLIANCE** (limited partnerships with Hammerson plc and Henderson Investors)
 - **MARTINEAU GALLERIES, BIRMINGHAM**
Up to 120,770m² retail and leisure development.
- **THE BRISTOL ALLIANCE** (partnership with Hammerson plc, Henderson Global Investors and Morley Fund Management)
 - ★ **BROADMEAD, BRISTOL**
Up to 83,610m² retail, and leisure development with some offices and residential accommodation.
- **PRINCESSHAY, EXETER**
44,590m² retail development with some residential accommodation.
- ★ **PLYMOUTH**
3,050m² retail development.
- **COPPERGATE CENTRE, YORK PHASE II**
24,260m² retail, 2,160m² leisure and 1,100m² offices with some residential accommodation.
- ▲● **KINGSWAY RETAIL PARK, DUNDEE**
20,440m² partial redevelopment and extension to retail warehouse park.
- **ALMONDVALE RETAIL PARK, LIVINGSTON**
▲● Phase I – 8,360m² retail warehousing.
Phase II – 9,380m² retail warehousing.
- ▲● **CHEETHAM HILL (FORMERLY QUEENS ROAD RETAIL PARK), MANCHESTER**
9,270m² retail warehousing.
- ▲ **LAKESIDE RETAIL PARK, THURROCK**
4,320m² extension to retail warehouse park.
- ▲★ **ZENITH, BASILDON**
15,090m² industrial/distribution warehousing.
- ▲★ **JUNIPER PHASE II, BASILDON**
11,980m² industrial/distribution warehousing.
- ▲ **NEPTUNE POINT, OCEAN PARK, CARDIFF PHASE II**
8,360m² industrial/distribution warehousing.
- ★ **COBBETT PARK, GUILDFORD**
11,610m² industrial/distribution warehousing.
- ▲● **HORIZON POINT, HEMEL HEMPSTEAD**
23,230m² industrial/distribution warehousing.
- ▲ **WELWYN GARDEN CITY SITE B**
3,860m² industrial/distribution warehousing.

▲ Included in capital commitments

● Fully let or agreed to be let ● Part let or agreed to be let
★ Added or significantly changed during 2000/2001.

TOTAL PROPERTY SERVICES



For corporate occupiers the benefits of partnering Land Securities Trillium are unrivalled. The creation of Land Securities Trillium, through combining the long-standing reputation of Land Securities as a leader in property investment and development, and its balance sheet strength and integrity, together with Trillium's service-oriented culture and infrastructure, should make us the partner of choice for occupiers who are considering their long term property requirements.

Land Securities Trillium's Customer Service Centre (CSC) located at 140 London Wall.



Our approach to total property outsourcing is based upon achieving the highest possible standards of service and a commitment to aligning our business interests with those of our customers to create mutual commercial benefit.



MANISH CHANDE

Top left, The CSC takes on average 30,000 calls a month.



Bottom row, Catering, security and cleaning are among the services Land Securities Trillium delivers through its network of service partners which help to create an efficient business environment.



Top right, A Land Securities Trillium portfolio management team meeting.



TOTAL PROPERTY SERVICES continued

Land Securities took the strategic decision to enter the new market of total property outsourcing through its acquisition of Trillium in November last year. Trillium was established in 1997 and was one of the first companies in the UK to provide total property services. This acquisition has provided

Total property outsourcing combines owning, managing and maintaining property in addition to procuring services such as catering, cleaning and security.

Once a customer has transferred the risks associated with owning, occupying and managing accommodation to us, it is free to focus on its core business. By procuring accommodation in the same way that it purchases other goods and services, property becomes more accountable and generates greater value for money.

In the face of the drivers for change we are taking advantage of the need to offer a total property outsourcing solution to occupiers, where we can work in partnership with our customers, as an alternative to the more traditional landlord and tenant relationship.

Property outsourcing may not be the preferred route for all occupiers but the need for greater flexibility to meet changing accommodation needs as well as certainty of property costs means that many organisations are examining the benefits of a single supplier for all of their property requirements. Our objective is to become the leading provider of this alternative property solution.

MANAGING THE RISKS OF OWNING CLIENTS' PROPERTIES

Land Securities Trillium releases its customers from the operating risks associated with owning and using property, including risks relating to rental growth, flexibility, leasehold liabilities, maintenance and replacement, facilities management and office services. Understanding and managing these risks is a core competency.

We have developed a comprehensive, analytically based approach to the assessment of risks and opportunities. The objective of this process is to ensure that the transfer of risk will satisfy the occupier's objectives and that it is priced at an optimum level.

Risks arising from increases in our rental liability and operating cost base are addressed through the contractual indexation of income using a number of different indices. The ownership of a significant freehold property estate provides a hedge against increasing property rental values.

Risk is also managed through arrangements tailored to individual occupiers to achieve a flexibility allowance appropriate to their needs. This achieves equilibrium of pricing and value between the occupier and Land Securities Trillium. This can include designation of core buildings, agreeing maximum annual flexibility allowances and option pricing of vacation.

THE PRIME CONTRACT

The first property outsourcing transaction was concluded between the Department of Social Security (DSS) and Trillium in 1997. The Private sector Resource Initiative for the Management of the Estate, known as PRIME, involved the transfer of 650 properties totalling 1.64m m² for a payment of £250m, which was supported by the value of the properties. The 20-year PRIME agreement began operating on 1 April 1998.

The National Audit Office review of the PRIME procurement exercise estimated savings of £560m over the life of the agreement. To date the agreement has saved the DSS £13.8m through renegotiating contributions in lieu of rates and over £1m through procuring energy from new suppliers. The DSS has also received £1.5m in development gains and £10m following a lease restructuring transaction.

More details in respect of the financial aspects of PRIME are referred to on page 33.

Payments to landlords of leased properties are under occupational leases of varying lease terms. We are responsible for any increases through rent reviews which were factored into the original contract pricing. In respect of those leasehold properties that the DSS can vacate we have estimated the maximum potential post vacation lease obligations to be in the region of £135m which have been priced into the

your company with immediate first-mover advantage in one of the major growth areas of the industry, as well as adding to Land Securities' existing skill base.

income receivable from the DSS, while mitigation will also be achieved by subletting revenue and disposals.

Maintenance of the properties is carried out in accordance with an agreed programme of work over the 20-year contract with the objective of bringing the PRIME property estate up to an agreed specification.

LAND SECURITIES TRILLIUM STRUCTURE

The Land Securities Trillium team is highly focused, enthusiastic, motivated and structured into distinct operating units.

The Portfolio Management Group aims to reduce the amount of surplus accommodation space in clients' property portfolios, consolidate and accelerate the move to less space, and reduce the cost and risk of capital projects. The group works closely with the client to deliver a property strategy that is driven by business requirements. It also refurbishes and remarkets vacated surplus space. Its technical business managers are responsible for programming works to maintain and upgrade the standard of the accommodation.

The Services Group, through its own national network of facilities managers, manages and coordinates the day-to-day operation and servicing of buildings occupied by the client, creating an efficient

working environment. Services are wide-ranging and include building maintenance, catering, cleaning, landscaping, security and waste management. We deliver the services in association with seven leading specialist service partners. This approach replaces a network of contracts with one point of contact for the client, increasing service standards and accountability.

We have set up a Customer Service Centre and a regional network of facilities managers, which coordinate all requests for work. Currently 95,000 DSS employees and 5,000 staff from other government departments based in DSS buildings can call Land Securities Trillium on one dedicated telephone number with a job request. This service centre takes on average 30,000 calls a month.

The substantial investment made to date in setting up the infrastructure required to serve and manage an occupier's estate creates a strong barrier to entry for others who may be considering competing in this market.

LAND SECURITIES TRILLIUM FUTURE POTENTIAL

In March 2001 we were named preferred bidder for the BBC property partnership agreement which will run for a 30-year term. Initially, this would involve acquiring the White City offices and developing in partnership with the BBC a further 50,860m² of offices at White City for their occupation. It would

also include the provision of facilities management services to the London and Scottish estates, and construction management services throughout the UK. A second phase would see further major developments in Glasgow and at Broadcasting House, and the transfer of responsibility for capital works to maintain accommodation standards in London and Scotland.

Land Securities Trillium, in a 50:50 joint venture, was also named as the preferred bidder for the BT property contract in April 2001. While this transaction is still under negotiation and details are subject to confidentiality agreements, it will involve the proposed divestment of the majority of the BT estate totalling 5.8m m² and the ongoing management of the property portfolio.

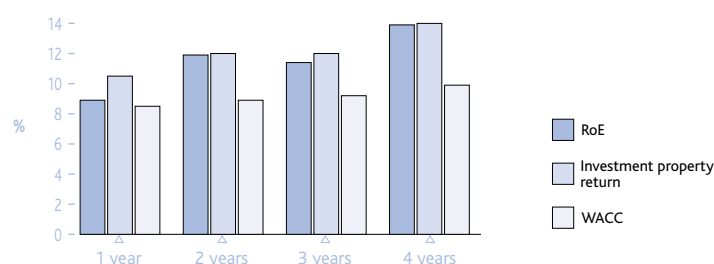
We are currently assessing more opportunities for property outsourcing deals from potential corporate and central and local government occupiers. We also believe that there are benefits to be accrued by developing our service offering to the Group's existing customer base under the property services umbrella. One such project which we are participating in, with the other Land Securities business units, is the refurbishment of Empress State Building.

FINANCIAL REVIEW



PERFORMANCE MEASURES

for the 4 years ended 31 March 2001



Average:	For year	Over 2 yrs	Over 3 yrs	Over 4 yrs
Return on shareholders' equity	8.9%	11.9%	11.4%	13.9%
Total investment property return	10.5%	12.0%	12.0%	14.0%
Pre-tax weighted average cost of capital	8.5%	8.9%	9.2%	9.9%

Revenue profit, including four months' contribution of £8.6m from Land Securities Trillium (LST), increased from £301.7m to £308.9m. The LST profit is after goodwill amortisation of £0.8m. The results of continuing operations reflect £3.2m for the cost of financing the acquisition of Trillium. As anticipated in last year's financial review, revenue profit has been adversely affected by sales of properties with higher yields than the initial return achievable from reinvestment of the proceeds in properties with more growth potential. Also, as we do not capitalise interest as part of the cost of development, the implementation of our development programme adversely affects profits during the expenditure period.

Pre-tax profit of £314.6m includes £6.3m of surpluses over book values arising on sales of properties and £0.6m of costs incurred in bidding for property outsourcing business. All bid costs are written off unless LST has either entered into a binding contract or achieved preferred bidder status. Pre-tax profit last year of £327.7m included an exceptional contribution of £26.0m from property sales.

After taking into account the uplift from the annual valuation and retained earnings, shareholders' funds increased by £369.1m, compared with the previous year, and diluted net assets per share increased by

5.9% to 1154p per share. The return on shareholders' equity was 8.9% and the average return over the last four years has been 13.9%. Compared with a pre-tax WACC for the year assessed at 8.5%, the total property return on the investment business was 10.5%. Over a four-year period the total property return was 14% compared with a pre-tax WACC of 9.9%.

REVENUE

Investment Business

Rental income increased from £479.9m to £498.4m. This has been achieved despite a further net reduction in income from the accelerated rationalisation of the portfolio. Adjusting for the effects of acquisitions and sales, rental income on properties owned throughout the period under review increased by £32m. The main contributions to this increase were £15.9m from reviews and renewals and £14.9m from the letting of developments. The net effect of reletting vacant space added a further £6.5m, which is partly offset by loss of income of £2.7m due to emptying buildings for redevelopment. The cost of bad and doubtful debts increased for the first time since 1994 but still amounted to less than 0.3% of rent roll.

We have secured rental income of £30.1m per annum from our developments that had not been received at 31 March 2001. This income will flow

from developments which are soon to be started, are in progress or have been recently completed. The net effect of property sales and acquisitions, unconditionally exchanged or completed in the year under review, will reduce rental income in the current year by some £10.2m. Further sales amounting to £75m have been exchanged unconditionally since the year end and more are in the course of negotiation or are planned. In the current year we also expect a rental income shortfall of some £8.0m from properties which will cease to be income-producing in anticipation of redevelopment or refurbishment.

During the last 12 months there has been a significant further improvement in rental values which has increased the net reversionary potential of the portfolio, excluding voids, to over 14.6% at 31 March 2001. There is now little significant over-renting remaining in the portfolio and within the next five years the potential shortfall is less than £2.1m of rental income in relation to renewals or options to break in over-rented properties. The average unexpired lease term within the portfolio is 10.25 years.

We have reduced the Group's net irrecoverable property outgoings to £6.1m, which is just over 1.2% of rent roll net of ground rents. This is the smallest shortfall since 1991 and reflects a significant

RENTAL INCOME ANALYSIS

	1999/00	2000/01	£m Increase
Properties owned throughout period	416.5	448.5	32.0
Sales (1999/00 & 2000/2001)	57.5	26.7	
Acquisitions (1999/00 & 2000/2001)	5.9	23.2	
	479.9	498.4	
Increase/(decrease)			
Reviews and renewals			▶ 15.9
First lettings			▶ 14.9
Net re-lettings of voids			▶ 6.5
Voids for redevelopment			▶ (2.7)
Other			▶ (2.6)
			32.0

reduction in the level of voids in the portfolio during that period. Voids within the portfolio are currently 1.1% of rent roll net of ground rents.

Property management and administration expenses, which include all the costs of managing the portfolio, the costs of staff involved in development projects, together with costs of rent reviews and renewals, reletting of properties and all office administration operating costs, amounted to some £35.4m. These costs include £1.2m relating to the internal restructuring and also additional expenditure on research and computer systems development together with increased staff costs following several new senior executive appointments.

Net interest costs increased by £15.7m during the period under review. Interest receivable was much lower than last year due to significant expenditure on acquisitions and the implementation of the development programme. The average cash balance was £94.9m compared with £331.2m for the previous year and the average return on surplus cash was 6.0% compared with 5.6% for the previous year. The increase in interest payable is mainly due to the costs of financing the Trillium acquisition.

Acquisition (LST)

LST contributed a unitary charge of £97.3m from the delivery of services to the DSS in the four months to 31 March 2001. This revenue is subject to quarterly

indexation, and can vary under the PRIME agreement which permits the DSS to vacate up to 2% per annum of its office accommodation or take additional space. Over two thirds of the revenue is earned from core properties intended by the DSS to be occupied until the end of the contract in 2018. Revenue from the DSS is subject to deductions due to unavailability of space or failure to meet service quality criteria. Deductions in the period are less than 1% of total revenue.

Expenditure on the provision of services, payments to landlords of leased properties, maintenance of properties and property management together with depreciation amounted to £84.1m. Responsibility for the provision of services such as cleaning, security, maintenance, catering and furniture is subcontracted to service partners under fixed price agreements ranging from two to 17 years in length.

Property owned under outsourcing contracts will be held at cost to the Group and will be subject to annual depreciation. £3.9m was provided for depreciation on the freehold buildings, leasehold improvements and LST's own equipment and furniture.

Net interest payable of £4.4m principally comprises interest payable under the DSS project financing arrangement which was hedged to match the long term financing by Trillium in April 1998. On acquisition this interest rate swap was valued at a

PROPERTY INFORMATION

at 31 March 2001

		Offices	Shops & Shopping Centres	Retail W'houses	Industrial	% rent roll Total
Voids by rental value	▶	0.4	1.2	3.1	2.7	1.1
Net reversionary	▶	18.7	11.4	12.6	6.4	14.6
Average unexpired lease term (years)	▶	8.25	11.0	20.5	9.5	10.25
Reversionary potential Ignoring additional income from the letting of voids			31 March 2000 % of rent roll	31 March 2001 % of rent roll		
Gross reversions	▶		14.6	17.1		
Over-rented	▶		(5.9)	(2.5)		
Net reversionary			<u>8.7</u>	<u>14.6</u>		

net liability of £14.9m, which is being released to profit over the funding term and so interest payable was reduced by £0.4m in the four month period.

The total property services business that the Group is developing in LST will be more labour-intensive than the portfolio management and development activities, and winning new business is likely to involve considerable front-end costs.

TAXATION

The tax charge, equivalent to 26.4% of revenue profit, reflects the benefit of capital allowances from developments, refurbishments and acquisitions. The tax charge for LST was £2.6m during the post acquisition period. The implementation of Financial Reporting Standard (FRS) 19 *Deferred Tax* will result in an increase in the effective rate, as capital allowances will be treated as timing differences. This change in accounting treatment will have no cash flow effect on the business.

Following the latest property valuation, there is an estimated potential capital gains tax liability in the region of £540m, equivalent to a 97p reduction in diluted net assets per share, of which £10m is attributable to LST.

FINANCIAL REVIEW continued

PORTFOLIO ACTIVITY

Year to 31 March 2001

	Acquisitions/ developments	Sales	£m FRS3 profit/ (loss)
Retail/leisure ▶	188.3	163.4	(1.3)
Offices ▶	348.0	158.4	5.4
Warehouses and Industrial ▶	41.5	109.4	2.2
	577.8	431.2	6.3

EARNINGS AND DIVIDENDS

Adjusted earnings per share increased by 6.3%, from 40.86p to 43.44p, which takes account of the effects of the share buy-backs in the quarter ended 31 March 2000. The directors propose a final dividend of 23.85p, making an increase of 4.8% in the distribution for the year.

CASH FLOW

After all financing costs, dividends and taxation, the Group produced cash flow for investment of £120m. Capital expenditure, including the acquisition of Trillium, exceeded proceeds from property sales by £215.4m, so there was a net cash outflow of £95.4m on the Group's business activities.

BALANCE SHEET

Group capital expenditure amounted to £928.2m, including £331.8m on assets acquired through the acquisition of Trillium. Freehold and valuable leasehold properties, forming part of the PRIME contract, were acquired with a fair value of £313.7m. Capital expenditure on the investment business amounted to £577.8m, of which £194.4m was incurred on development and refurbishment. £164.3m of this relates to costs specifically associated with the development programme. £383.4m was spent on investment acquisitions, primarily with future development in mind, showing an average initial return of 7.4%.

In the same period, sales of properties with a book value of £424.9m were unconditionally exchanged or completed for £431.2m after deducting all selling costs. The properties sold yielded 8.2% and the proceeds exceeded costs to the Group by £191.6m. In the last five years the Group has sold over £1.3bn of properties.

With the acquisition of Trillium, the Group acquired bank debt of £197.9m secured on the PRIME contract. This long term debt, fixed by reference to a matching swap, will be amortised over the remaining 17 years of the contract. Shortly before the year end, the Group negotiated the release of cash previously held as additional security by the lender and, since 31 March, the Group has secured a reduction of 35 basis points in the cost of this funding. After taking into account the swap, which was subject to fair value accounting on the acquisition of Trillium, the financing cost of this long term debt to the Group is approximately 6.75%.

In the last four months of the year under review, the Group drew down an average £207m under its banking facilities. By applying the long term swap that was activated on 30 September 2000, the cost of the first £200m drawn down in that period was approximately 5.85%. The receipt of March quarter rental payments, together with the deferral of major interest payments due on 31 March, to the next business day of 2 April, resulted in short term

deposits and cash of £29.3m at 31 March. Since that date, further expenditure including the acquisition of Whitecliff Properties, resulted in a drawdown under the Group's banking facilities of £110m at the end of April.

In order to meet the future funding requirements of the Group, on 26 March we put in place a £600m syndicated 5-year bank facility at a margin of 37½ basis points on the first £400m drawn and 42½ basis points for any excess, based on our current rating of A+/A1. By applying the two unmatched swaps, the second of which can be used on 30 June 2002, £400m drawn down under this facility would cost the Group an average of 5.65% assuming our rating is unchanged. After taking into account the improved terms for financing the PRIME contract and the benefit of linking swaps to the bank facility when utilised, the Group's average cost of borrowings would be reduced from a current 8.8% to 8.2%.

In the present environment the Group does not intend to hold significant cash balances but, if funds are held prior to investment in the business, they will be invested to achieve the best returns within rigorous controls which are regularly reviewed by the Board. In all investment decisions careful consideration is given to creditworthiness and the setting of appropriate deposit limits in order to minimise exposure to a single institution.

The Group has chosen to increase its banking facilities to provide maximum flexibility in financing the business going forward, particularly at a time when having funds on deposit is unattractive. LST's business involves winning contracts which will need funding in the most appropriate manner and often at relatively short notice. Long term contracts are likely to require specific project finance or the use of securitised debt but for contracts which have fluctuating capital requirements, for example those that are mainly development-related, appropriately hedged bank finance may be the best method of financing. When contracts are very substantial and involve significant property ownership, then joint venture vehicles may be used.

Property development and investment remain long term capital intensive activities and the Group will continue to minimise the risks of fluctuations in finance costs resulting from changing interest rates by using mainly fixed rate debt to match its property commitments. However, as lease lengths are shortening and the Group considers alternative ways of holding property, together with managing its portfolio more actively, future funding is likely to be of shorter maturity than previously.

The Group wishes to retain the opportunity to access the capital markets at competitive prices and does not intend to use securitisation as a significant means of raising funds for the development or portfolio

management business units, as this would adversely affect its borrowing margins in the bond market. Also, this means of financing would generally only be economic if the secured cash flows are more highly rated than Land Securities' covenant.

The fair values of the Group's financial liabilities as at 31 March 2001, as set out in Note 30, exceeded book values by £507.3m, reflecting £453.5m in respect of a reduction in long term interest rates since the borrowings were originally taken out, £41.6m in respect of the equity conversion terms of the convertible bonds and £12.2m on swaps. The adjustment to fair value, after taking account of tax relief, would reduce reported diluted net assets per share by 59p and would increase balance sheet gearing. There is no obligation or present intention to redeem or retire the borrowings, other than at maturity, when their redemption would be made at par.

At the year end, outstanding expenditure on the development programme amounted to some £1.58bn, most of which will be spent over the next five years. Capital creditors at 31 March 2001 amounted to £59.5m and capital commitments were £548m. Since the year end the acquisition of Whitecliff Properties has been completed and the funding of this development opportunity will require up to £100m over the next five years.

LST will fund, out of the cash flows generated, the

significant capital expenditure commitments to improve the DSS property estate over the remaining 17-year life of the PRIME agreement. It was named as preferred bidder on the BBC outsourcing contract on 22 March 2001, which will involve capital expenditure of some £250m over the next five years and a similar amount in the following five years. LST was also chosen as preferred bidder on the BT project on 10 April 2001, which will be financed through a joint venture but will require an equity contribution which is unlikely to exceed £200m.

The most relevant measure of gearing, interest cover, was 3.04 times and balance sheet gearing, taking net debt as a percentage of net assets, was 28.1% at 31 March 2001. The Group also views its development programme as a form of gearing.

GOING CONCERN

After reviewing detailed profit projections, taking into account the available bank facilities and making such further enquiries as they consider appropriate, the directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

ACCOUNTING POLICIES

During the year, the Accounting Standards Board (ASB) issued FRS 17, 18 and 19 on Retirement Benefits,

FINANCIAL REVIEW continued

Accounting Policies and *Deferred Tax* respectively; of these, only FRS 19, referred to earlier in the Financial Review, will have a material effect on the Group's financial statements. This effect is a consequence of a change introduced in the standard which, as it was made subsequent to the publication of the relevant exposure draft, did not allow for further consultation. The proposal to treat capital allowances attributable to investment properties as timing differences is misconceived, as the only circumstance which will give rise to a balancing charge for plant allowances is the sale of a property without having met the conditions for retaining those allowances. In the last two years we have sold approaching 200 properties and in no instance did we suffer a balancing charge for plant allowances. If FRS 19 had been applied, there would have been a release of the original capital allowances claimed. As the new proposal detracts from a fair view of the Group's accounts, it will not be applied until the next accounting period, when it becomes mandatory.

The Discussion Paper '*Leases: Implementation of a New Approach*' was referred to in some detail in last year's Review and is still the subject of debate by the standard setters. We are hopeful that the objections which we, and the property industry, have expressed, particularly regarding the proposals for lessor accounting, will be heeded.

In December the ASB issued Financial Reporting Exposure Draft 22 *Revision of FRS3 'Reporting Financial Performance'*, which proposes that an entity's results should be reported in a single performance statement containing the profit and loss account and the primary statements. While welcoming the revision of FRS3 and the concept of a single statement, we consider that gains or losses crystallised on the sales of investment properties, together with changes arising from the biannual valuation of properties, should be reported as 'other gains and losses' and not be included as part of the 'operating' results within the statement. We also consider that prominence should still be given to appropriate earnings per share measurements and that shareholders will wish to see clearly the amount of profit available for distribution to shareholders.

Also in December, the ASB issued a consultation paper, '*Financial Instruments and Similar Items*'. The main effect on the financial statements of the proposals made would be a requirement to reflect the fair value

adjustment relating to financial interests and financial liabilities in the proposed extended performance statement and balance sheet, whereas currently FRS 13 only requires such reporting to be by way of note.

In February, the Urgent Issues Task Force issued Abstract 28 '*Operating Lease Incentives*' which will require property companies to treat any incentives for lessees to enter into agreements as a revenue cost and also to account for rental income from the lease commencement date, not, as is currently the more usual practice, from the expiry of any rent-free period. This change will mean that the profit and loss account will include rental income in periods when it is not legally due, often during a fitting out phase when premises are not capable of being used for business purposes. This revision to current practice will be applied in the Group's Interim Report for the half year to 30 September 2001.

In 2005 all quoted companies will be required to produce financial statements which comply with International Accounting Standards. The UK property industry must work with the ASB to try to ensure that these standards fairly reflect results and do not adversely affect business practices in the UK.

THE FUTURE

Next year the Group will report LST's results separately by means of full segmental reporting to enable users to identify its earnings contribution clearly, as this will be the basis on which its business unit's contribution to the Group can best be valued. Looking ahead, the performance of the Development and Portfolio Management business units will also be reported on more fully within the operational review. With a combination of shorter leases and more actively managed properties, it is likely that investment properties will be viewed more as income-generating businesses than passive investments. This should lead to more emphasis being placed on valuing the anticipated future cash flows of the three business units rather than the more conventional net asset valuation approach. However, this transformation may take some time to achieve.

The Group will continue to apply the strategy of increasing shareholder value through development or refurbishment and by acquiring and managing assets which can be worked to increase growth

potential rather than by buying completed standing investments. It is also developing a choice of rental offers and a wider range of services to provide its customers with more alternatives to meet their occupational requirements and will continue to compete for property outsourcing contracts in the public and private sectors.

As the Company does not capitalise interest as part of the costs of development, continuing expenditure on its development programme will inevitably adversely affect profits until the completed buildings are let and income-producing. The Group does, however, reflect the changing value of its developments in progress by including regular valuations of all the investment property assets in the portfolio. The process of actively managing our portfolio will involve further property sales and may result in some initial income shortfall, although we are hopeful that reinvestment in total property service contracts by LST will soon reverse that process.

The Group continues to favour a distribution policy which broadly reflects increases in the level of revenue profits over a number of years.



JIM MURRAY

ENVIRONMENT AND HEALTH & SAFETY

We remain committed to maintaining high standards in environmental protection and health & safety, thereby minimising risks to members of the public, our employees and our shareholders. We seek to implement best practice throughout the organisation and our policies are continually evolving. We are reviewing our policies within the new structure to ensure that we manage the environment and health & safety consistently across the whole of our business.

Since April the main board responsibility for these matters has been transferred from Mike Griffiths to Francis Salway. We continue to inform staff of developments at the company level and of more general environmental issues through monthly e-mail newsletters. Environment and health & safety matters form standard modules in the Land Securities induction days.

ENVIRONMENT

We are under increasing scrutiny as to how we manage the impact of our operations on the environment. At Land Securities we are committed to promoting sustainability. Two years ago we set up an environment panel, comprising a cross-section of disciplines, to help put our policy and objectives into practice.

During 2000 we were ranked 42nd by the Business in the Environment Survey of Environmental Engagement in the FTSE100. In a parallel Property Environment Group (PEG) survey run by Environmental Governance, we ranked 3rd out of 18. We have also received a AAA rating from the Safety and Environmental Risk Management rating agency.

We recently published our first corporate Environment Report. This refers to the year ended 31 March 2001 and sets out the environmental aspects of our business in more detail. It explains how we are tackling environmental issues, states our objectives and examines progress measured against 17 performance targets. The report is available in full on the environment section of our web-site. We will now be reporting on environmental matters on an annual basis.

Last summer, we signed up to 'Making a Corporate Commitment 2', the Government's Corporate Commitment Campaign on environmental issues, and are committed to reducing our average level of CO₂ emissions by 10% by 2010.

In support of our environmental initiatives, we have also reviewed our training needs. We are implementing basic training for all staff through a network software programme. We provide specialist training, where required, through seminars and workshops.

Land Securities Trillium continues to develop procedures to ensure delivery of its health & safety and environmental objectives, which are consistent with those of the Land Securities Group. In partnership with consultants WSP, Land Securities Trillium are designing an environmental management system to meet their commitment to be certified under ISO14001. Once completed it is our intention to extend the system across the company.

Whitecliff are also members of PEG in their own right, have an active environment policy and are pursuing the concepts of sustainability.

Our challenge now is to combine the best elements of the Land Securities Trillium and Whitecliff approaches to the environment with our existing procedures so as to promote excellence.

In line with Government recommendations on supply chain management we carried out a confidential benchmarking survey of environmental management across 50 of our largest tenants and suppliers. The results provided us with an insight into our business partners' approach to the environment and helped to raise awareness of the issues we are facing.

We also participated in a pilot study of environmental management in shopping centres, and were co-sponsors of the Building Integrated Photovoltaic Design Study, run by DTI/Energy Technology Support Unit, using our Esso and Glen Houses development as a model.

HEALTH & SAFETY

We are developing a new Group health & safety policy which will define targets and monitoring procedures to enable us to measure our rate of progress and effectiveness.

We are committed to a programme of continuous assessment as a means of managing risk within our portfolio.

Training is a key initiative. During the course of the next year selected members of staff will undergo training aimed at achieving the NEBOSH certificate in occupational health & safety. Land Securities Trillium already has more than 30 employees qualified to at least this level together with more than 200 employees with IOSH qualifications.

INFORMATION MANAGEMENT

In order to manage our procedures and the flow of information more efficiently we have introduced a property management portal on the Internet to which all our staff have access. The portal includes our company policy, legislative requirements and contingency plans on health & safety together with details pertaining to individual properties. These include asset registers, fire certificates, plans and drawings, permits to work, statutory reports and a variety of health & safety reports.

The portal creates an audit trail and monitors how quickly and effectively problems are rectified. A section of the portal is dedicated to environmental issues. Our corporate environment manual has been transformed into an electronic document.

HUMAN RESOURCES



TOWARDS THE EMPLOYER OF CHOICE

Our objective is to become the employer of choice in the property sector. Over the next 12 months, together with the company's new Group Human Resource (HR) Director, we will be further developing our HR management to ensure that we attract and retain the highest calibre staff. We will create an environment where innovation and creativity are rewarded and we will promote clearly defined career paths. We will link reward to performance and provide our people with greater opportunities for personal and professional development.

The Senior Executive Group (SEG), which is responsible for progressing the Company's human resource strategy, work practices and succession planning comprises:

Ian Henderson, Peter Walicknowski, Jim Murray, Francis Salway, Mike Griffiths, Manish Chande, Nick Moore (Director – Shared Services) and John Anderson (Director – Special Projects).

The Company's Group HR Director and Head of Corporate Communications also participate in relevant SEG matters.

The past year has been challenging for our employees as they have seen substantial change across the Company. This has resulted in new roles and responsibilities for many of our staff and has created new opportunities for career development. The acquisition of Trillium has more than doubled the number of employees since last year. As we conclude further outsourcing contracts we can expect staff levels to rise.

EMPLOYEE PARTICIPATION

We support the principle of ownership of shares in the business by way of profit sharing, savings related share option schemes, deferred shares within the annual performance bonus plan and executive share options. Details of the savings related and executive share option schemes are contained in the Remuneration Committee Report and in Note 6 on page 56.

As reported by the remuneration committee we have commissioned an external review of the company's remuneration policies. We will be introducing a new performance appraisal system providing individuals with clear and measurable targets which will be aligned to business unit and corporate objectives and linked to performance related pay.

TRAINING AND DEVELOPMENT

We will be broadening our training and career development activities across the Group to ensure that we maximise the potential of all our employees to help them achieve their own and the company's business objectives.

EMPLOYEE COMMUNICATION

We continue to develop our employee communication programme. This is currently achieved in a number of ways, through regular presentations to employees, the publication of our results, other important press announcements and the distribution of newsletters. We actively involve our employees in the development of internal communications and have recently conducted an internal communications audit. We have set up a working party to develop new initiatives to include the establishment of a Company-wide intranet.

EMPLOYMENT

Core values

Encompassing everything we do are the Land Securities core values. These are:

- Integrity
- Professional excellence
- Quality
- Deliverability
- Respect
- Excellence in customer service.

Our staff are encouraged to embrace these core values as they distinguish Land Securities as a market leader and employer of choice.

The employment policies of the Company maintain its commitment to equal opportunities. The criteria for selection and promotion are the individual's suitability for the position of employment offered and his or her skills and abilities. We maintain our policy of giving full and fair consideration to the employment of applicants who are disabled and for incorporating the needs of people who may become disabled during the course of their employment with the Company.

Our Business Ethics policy is circulated to all staff and provided to all new employees in their induction pack. All staff are required to abide by its provisions. Copies of our Employment and Business Ethics policies are available on our web-site.

DIRECTORS AND ADVISERS

LAND SECURITIES PLC BOARD OF DIRECTORS

Peter G Birch CBE 63

Appointed a director in 1997 and chairman in July 1998. Chief executive of Abbey National plc until March 1998. Chairman of the Legal Services Commission, Kensington Group plc and UCTX Limited. Director of N M Rothschild & Sons Limited, Dah Sing Financial Holdings Limited and Travellers Exchange Corporation Ltd.

Ian J Henderson 57

Joined the Group in 1971. Appointed a director of Land Securities Properties Limited in 1979 and managing director in 1990. Joined the Board in 1987, appointed deputy managing director in 1996 and chief executive in December 1997. Vice-president of the British Property Federation, Vice-chairman of the Board of Management of Central and Cecil Housing Trust and past chairman of Westminster Property Owners Association.

Michael R Griffiths 56

Joined the Group in 1973. Appointed a director of Land Securities Properties Limited in 1986 and to the Board in 1990. President of City Property Association. Chief executive of the Group's Development business unit.

James I K Murray 54

Joined the Group in 1981 and appointed a director of Land Securities Properties Limited in 1986. Appointed to the Board in 1990, finance director in 1991. Member of the Technical Committee of The Hundred Group.

Peter Walicknowski 46

Joined the Group as Director of Strategy and Business Development in the autumn of 2000. Held a number of senior roles at Australian property group Lend Lease in Australia and the USA and, prior to joining Land Securities, was Chief Executive Officer of Lend Lease Europe.

Manish J Chande 45

Joined the Board in November 2000 upon the acquisition of Trillium. A chartered accountant, he served as finance director and subsequently as chief executive of Imry Property Holdings Plc. He was co-founder and chief executive of Trillium from 1997 to 2000. Chief executive of the Group's Land Securities Trillium business unit.

Francis W Salway 43

Joined the Group in October 2000. He was previously an investment director at Standard Life Investments with responsibility for managing the office and industrial property portfolios of their life fund. He was also responsible for Standard Life's property research team. He is chief executive of the Group's Portfolio Management business unit and was appointed to the Board in April 2001.

Peter B Hardy 62

Appointed to the Board in 1992. Managing director, Investment Banking with SG Warburg Group plc until 1992. Director of Kingfisher plc, Foreign & Colonial PEP & ISA Investment Trust plc, Howard de Walden Estates Limited and Barnardos.

Sir Winfried Bischoff 59

Appointed to the Board in 1999. Chairman of Citigroup Europe, deputy chairman of Cable and Wireless plc and a director of the McGraw-Hill Companies, USA, Eli Lilly & Company, USA, Ifil-Finanziaria di Partecipazioni SpA Italy and Siemens Holdings Plc. Member of The Council for Industry and Higher Education.

Giles I Henderson CBE 59

Joined the Board as a non-executive director in October 2000. Senior partner of Slaughter and May until April 2001. Member of the Hampel Committee on Corporate Governance and a member of the Financial Reporting Council and chairman of the Law Committee of the UK/China Forum. Appointed Master of Pembroke College, Oxford with effect from July 2001.

SOLICITORS

Nabarro Nathanson
Lacon House
Theobald's Road
London WC1X 8RW

AUDITORS

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

VALUERS

Knight Frank
20 Hanover Square
London W1R 0AH

BANKERS

Lloyds TSB Bank plc
72 Lombard Street
London EC3P 3BT

Schroder Salomon Smith Barney
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

REGISTRAR

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

STOCKBROKERS

UBS Warburg
1 Finsbury Avenue
London EC2M 2PP

Cazenove
12 Tokenhouse Yard
London EC2R 7AN

CORPORATE GOVERNANCE

THE COMBINED CODE – PRINCIPLES OF GOOD GOVERNANCE AND CODE OF BEST PRACTICE (DERIVED FROM THE CADBURY, GREENBURY AND HAMPEL COMMITTEE REPORTS)

The policy of the Board is to manage the affairs of the Company in accordance with the Principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority. The Company has complied with Section 1 with the exception of the matters set out below. While strongly endorsing the importance of accountability, the Board supports the view expressed in the final report issued by the Hampel Committee that “the board’s first responsibility is to enhance the prosperity of the business over time”. It is the Board’s responsibility to ensure good governance but this process cannot be an end in itself.

DIRECTORS

The Board meets at least six times a year. Its principal task is to formulate strategy and to monitor and control operating and financial performance in pursuit of the Group’s strategic objectives. It operates in accordance with a formal schedule of matters reserved to the Board for decision. These matters include property developments, refurbishments, acquisitions and disposals in excess of £30 million, fund raising, loan repayments and treasury policy. They also include the appointment or removal of directors and the company secretary and the introduction of any significant changes to employee share or pension schemes. In addition, the Group has established an Investment Committee to appraise and, where appropriate, approve funding proposals taking into account key project drivers, sensitivities, and project risk assessment. An outline of the Group’s corporate structure is shown on page 11. All directors have access to the company secretary who is responsible for ensuring that Board procedures are complied with and who advises the Board on corporate governance and compliance matters.

The Board has resolved that directors may seek independent professional advice at the Group’s expense in the furtherance of their duties as directors.

The roles of chairman and chief executive are split and there exists a strong non-executive element on the Board which currently consists of six executive and four non-executive directors. The Board considers that all the non-executive directors should be regarded as being independent. Following the death of Sir Alistair Grant in January 2001, the Company does not currently have a senior independent non-executive director. The Board believes that the present balance and composition of the Board is appropriate in the light of prevailing circumstances.

The Board is supplied with comprehensive management information on a regular and timely basis, principally by means of monthly Board Reports and detailed reviews of rental income and financial projections every six months. The Group’s cash management and treasury activities are reviewed at each Board Meeting.

The Board does not consider it appropriate to establish a Nomination Committee; instead the entire Board acts as a Nomination Committee and is responsible for the selection and approval of candidates for appointment to the Board.

In accordance with the Companies Acts and the Articles of Association of the Company, all directors are required to submit themselves to shareholders for re-election to the Board at the first Annual General Meeting following their appointment and at regular intervals thereafter. A resolution was passed at the 1999 Annual General Meeting to amend the Company’s Articles of Association so that every director is required to stand for re-election every three years. Non-executive directors are appointed for an initial period of three years which is extendable upon mutual agreement.

Directors are provided with training and induction into the responsibilities of a director prior to, or immediately following, their appointment to the Board, if that appointment is the first occasion that they have been appointed to the Board of a listed company. The training needs of directors are reviewed periodically to ensure that they are kept up to date on relevant new legislation and changing commercial risks.

DIRECTORS’ REMUNERATION

The report of the Company’s Remuneration Committee is on pages 42 and 43 .

RELATIONS WITH SHAREHOLDERS

The Company values dialogue with institutional and private shareholders, and the chief executive together with the finance director hold regular meetings with institutional shareholders to discuss strategic and other issues within the constraints imposed to ensure the protection of price sensitive information which has not already been made available generally to the Company’s shareholders. The Board welcomes moves towards a more constructive use of Annual General Meetings and regards the Annual General Meeting as the principal opportunity to meet private shareholders. Details of proxy voting are disclosed on each resolution after it has been dealt with by a show of hands.

The chairmen of the Audit and Remuneration Committees normally attend each Annual General Meeting in order to answer any questions relating to the activities of these Committees.

The Company supports the concept of individual resolutions on each substantially separate issue at General Meetings and will continue to propose a separate resolution relating to the Report and Financial Statements.

The Company arranges for the Report and Financial Statements and related papers to be posted to shareholders so as to allow at least 20 working days for consideration prior to the Annual General Meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects, and details are given in the Chairman's Statement and the Operating and Financial Review.

Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, that this process has been in place for the year under review and up to the date of approval of the Report and Financial Statements. This process is reviewed by the Board at regular intervals and accords with the Turnbull guidance.

A working party has been established to review the Group's risk register in conjunction with the Internal Audit Department. In addition the Board considers strategic and general risks on a regular basis. The Board has always given a high priority to the assessment and control of risk throughout the Group.

The key procedures of the system of internal financial control are:

- (a) clearly defined organisational responsibilities and limits of authority.
- (b) annual and long term revenue, cash flow and capital forecasts, updated regularly during the year; monthly monitoring of cash flow and capital expenditure and monthly reporting of key financial information to the Board; quarterly and half yearly revenue comparisons with forecasts.
- (c) financial controls and procedures, including information systems, detailed in policies and procedures manuals.
- (d) clearly defined guidelines for capital expenditure and disposals, including detailed appraisal procedures, defined levels of authority and monthly reporting on all capital projects.
- (e) an internal audit function which reviews business processes and controls and reports directly to the Board.
- (f) an Audit Committee which approves audit plans and published financial information and reviews reports from internal and external auditors, dealing with any significant control matters raised.

In relation to the broader control of risk within the Group

- (a) an Investment Committee approves capital projects, major contracts and business and property acquisitions. This Committee has delegated authority up to specified levels beyond which Board approval is required.
- (b) a system of Internal Control Procedures has been established with which staff are required to comply. These procedures set out a central framework for staff to operate within and contain guidance and procedures for the Group's day to day operations.
- (c) the Internal Audit department reports to the Chief Executive and has direct access to the Audit Committee.

AUDIT COMMITTEE

The Audit Committee consists solely of the non-executive directors, is chaired by Peter Hardy and operates in accordance with written terms of reference.

At its regular meetings the Committee seeks to ensure that appropriate accounting systems and financial controls are in operation and that the Group's financial statements comply with statutory and other requirements. The Committee receives reports from and consults with the internal and external auditors. It reviews the interim and annual results and considers any matters raised by the internal and external auditors. It also monitors the scope, cost effectiveness, independence and objectivity of the external audit.

VALUATIONS

The Group has for many years given the valuers and auditors access to each other. These advisers have a dialogue and exchange of information which is entirely independent of the Group.

NON-EXECUTIVE DIRECTORS

Remuneration for the chairman and non-executive directors is determined by the Board within the levels set in the Articles of Association. They do not participate in any of the Company's share incentive, bonus or pension schemes. The chairman and non-executive directors are currently appointed for an initial period of three years subject to renewal for further periods and to the rotation provisions under the Articles of Association. They do not have service agreements with the Company.

REMUNERATION COMMITTEE

DIRECTORS' REMUNERATION

The Company complies with the requirements of the Combined Code in relation to directors' remuneration. The Board has established a Remuneration Committee which operates within written terms of reference. The Chief Executive makes recommendations to the Committee on the Company's framework for, and cost of, executive remuneration and the Committee then reviews these recommendations. No director is involved in deciding his own remuneration.

1 COMPOSITION OF THE COMMITTEE

The Committee consists solely of the non-executive directors and is chaired by Sir Winfried Bischoff.

2 FUNCTION OF THE COMMITTEE

The function of the Committee is to review and determine annually within the context of the Board's remuneration policy the individual salaries and other terms and conditions of employment of the executive directors, together with any incentive or bonus scheme in which the executive directors and other senior executives may be invited to participate. The Committee also reviews the chief executive's remuneration proposals for the Group's staff other than the executive directors. The Committee consults the chief executive in relation to proposals for the remuneration of the other executive directors and the Committee has access to professional advice where this is considered appropriate. A full review with advice from external consultants has been carried out into the remuneration and incentives for all staff with a view to increasing the proportion of total remuneration which is performance related.

3 REMUNERATION POLICY

The objective of the Group's remuneration policy is to provide remuneration in a form and amount to attract, retain and motivate high quality management. The levels of remuneration are set to ensure comparability across a broad spectrum of UK based companies of similar size from all sectors but

with particular emphasis on the property industry. In deciding on the appropriate level of remuneration, the Committee is mindful of the long term nature of the business and the importance of aligning any performance awards with returns to shareholders. It attempts to achieve this balance through a base annual salary and cash and share bonuses which are geared to the achievement of short term objectives while providing an incentive to achieve longer term success through the Group's Long Term Incentive Plan and Share Option Schemes.

Each executive director receives a salary which reflects his responsibilities, experience and performance. Salary is reviewed annually and the review process includes using comparator information and reports from specialist consultants. However, the Committee is mindful of the need to treat such comparisons with caution so that they do not result in an upward ratchet of remuneration levels with no corresponding improvement in performance and it takes account of pay and employment conditions elsewhere in the Group, especially when determining annual salary increases. The performance related elements of directors' remuneration are designed to form an important part of their total remuneration package, to align their interests with those of shareholders.

Details of each director's emoluments and share options are shown in Note 7 on pages 56 and 57.

4 REMUNERATION OF NON-EXECUTIVE DIRECTORS

The annual remuneration of the chairman of the Board, Peter Birch, is determined by the Committee having regard to independent advice. The other non-executive directors each receive a fee agreed by the Board following a review of fees paid by comparable organisations. Neither the chairman nor the other non-executive directors receive any pension benefits from the Company, nor do they participate in any bonus or incentive schemes.

5 EMOLUMENTS AND SHARE OPTIONS

Executive directors' emoluments consist of salary, car benefit, pension contribution, medical and life insurance, together with participation in savings related share option, profit sharing and annual bonus schemes which are also open to property management and administration staff. The annual bonus scheme has used adjusted earnings per share data as its key measure of performance and resulted in a payment of 5% of salary being made in November 2000.

Executive directors also participate in a senior management bonus scheme. This scheme measures performance against a series of targets based on criteria established by the Committee. In the year to 31 March 2001, the maximum potential payment was 20% of salary split 50/50 into cash and the award of shares on a deferred basis with the shares being released to participants after three years provided they are still employed by the Group at that time or have left the Group as "good leavers". The actual bonus declared was 18%.

Following the recent remuneration review, this Committee has approved a revised bonus scheme for executive directors to reflect the acquisitions and clearer focus on earnings performance. Executive directors will have the opportunity to receive a similar level of bonus to that currently achievable for meeting rigorous targets, but with the opportunity to receive up to a maximum of 60% for exceptional results. One third of this bonus will be paid in shares on a deferred basis. The key criteria are reviewed annually to ensure that targets are set in line with prevailing business circumstances. Current criteria cover such areas of the business as progress with the development programme, property disposal programme, rent reviews and renewals and levels of voids, property outgoings, shortfalls and bad debts, and success in winning and delivering returns under Total Property Services contracts.

The revised scheme will replace all existing bonus schemes which, in total, last year resulted in a maximum bonus of almost 30%.

The 1984 Executive Share Option Scheme expired in April 1995. As a result, no options have been granted under the Scheme since July 1994. A long term incentive plan was introduced to replace the 1984 Executive Share Option Scheme and awards under the Plan depend on the Group's total shareholder return achieved over a series of five-year performance periods as compared with the total shareholder returns achieved by a selected peer group of companies carrying on comparable businesses. No award will be paid in respect of any particular period unless the Group is ranked in the first four of the eight companies in the peer group in that period. Awards for ranking positions in the first four of the group range from 25% for fourth position to a maximum of 55% of salary for first position. Half of any award will be payable in cash and half in shares, such shares to be released to the beneficiary on the second anniversary of the award.

There are currently 23 participants in the Plan, consisting of senior executives and management who were in office prior to the closure of the Plan. The Plan included transitional provisions to reflect the Committee's original intention that the Plan would be effective from 1 April 1996 with three transitional performance periods, each commencing on 1 April 1996 and ending respectively on 31 March 1999, 2000 and 2001. Following the expiry of the third transitional period, the Group achieved a ranking of fifth position within the peer group, which resulted in no award being made in respect of that period. No new entrants have been admitted to the Plan since 31 March 2000 and it is not intended to admit any further entrants to the Plan. Current performance periods under the Plan will expire no later than 31 March 2005.

The interests of the participating executive directors at 31 March 2001 under the Plan could amount to a maximum of 55% of their basic salaries for the four outstanding performance periods if a ranking position of first is achieved for each period. Existing participation in the Plan will continue until the current performance periods have expired.

At the Annual General Meeting held on 11 July 2000, shareholders approved the introduction of the Land Securities PLC 2000 Executive Share Option Scheme. During the year options were granted under the Scheme to certain executive directors and also to a number of employees of the Group. The options granted to executive directors are shown in Note 7 on page 57. All options granted under the Scheme during the year were subject to a performance test under which the exercise of options is dependent on the growth in the Company's normalised adjusted earnings per share over a period of three financial years exceeding the growth in the retail prices index over the corresponding period by at least 2.5% per annum.

6 PENSIONS

I J Henderson, M R Griffiths and J I K Murray participate in a non-contributory defined benefit pension scheme which was open to property management and administration staff until 31 December 1998. This Scheme provides them, at normal retirement age and subject to length of service, with a pension of up to two-thirds of final salary, subject to Inland Revenue limits and other statutory rules. The Scheme also provides lump sum death-in-service benefits of four times pensionable salary and pension provision for dependants of members. Only basic salary is treated as pensionable pay. With effect from 1 January 1999 this Scheme was closed to new entrants and replaced by a contributory Money Purchase Scheme. P Walicknowski received a payment in lieu of

pension contributions of £64,098 and benefited from a pension contribution of £7,513. M J Chande received an accrued pension allowance of £25,365 for the period. The following table shows the executive directors' accrued pension entitlements as at 31 March 2001. The increase in accrued pensions during the year excludes any increase for inflation. The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. These values represent a liability on the Group's pension scheme and not a sum payable to individual directors.

ACCRUED PENSIONS year ended 31 March 2001

	Accrued at 31 March 2001 £	Increase during the year £	Transfer value of increase £
I J Henderson	223,166	15,833	239,000
M R Griffiths	135,326	4,863	68,000
K Redshaw	133,572	4,328	60,000
J I K Murray	153,072	10,802	147,000

K Redshaw resigned as a director on 20 March 2001, retiring on pension with effect from that date. The Company has been required to make a payment to the pension scheme of £541,234 as K Redshaw started to draw his pension before his assumed retirement age of 60.

7 SERVICE AGREEMENTS

I J Henderson, M R Griffiths and J I K Murray have service agreements with a notice period of one year. Details of the service agreements of P Walicknowski, M J Chande and F W Salway are set out in the Directors' Report on page 44. The chairman and the other non-executive directors do not have service agreements with the Company.

SIR WINFRIED BISCHOFF
Chairman of the Committee
for and on behalf of the Board

DIRECTORS' REPORT

for the year ended 31 March 2001

The directors submit their Report with the financial statements for the year to 31 March 2001. A review of the Group's business and results for the year is contained in the Chairman's Statement and the Operating and Financial Review, which should be read in conjunction with this Report.

1 BUSINESS OF THE GROUP

During the year the Group has continued its business of property development and portfolio management of offices, shops, retail warehouses, food superstores, leisure, warehouse and industrial premises throughout the United Kingdom. On 29 November 2000, the Group purchased Trillium Investments GP Limited (now renamed Land Securities Trillium Limited), a leading provider of total property services. The Group now consists of three main business units, Land Securities Development, Land Securities Portfolio Management and Land Securities Trillium.

2 RESULTS FOR THE YEAR AND DIVIDENDS

The results are set out in the Consolidated Profit and Loss Account on page 48.

An interim dividend of 8.65p per share was paid on 8 January 2001 and the directors now recommend the payment of a final dividend of 23.85p per share making a total of 32.50p per share for the year ended 31 March 2001, an increase of 4.8% over that for the previous year.

Subject to authorisation at the Annual General Meeting to be held on 10 July 2001, the final dividend will be paid on 23 July 2001 to shareholders registered on 1 June 2001. The shares are expected to be quoted ex-dividend from 30 May 2001.

3 VALUATION AND NET ASSETS

(i) Valuation

In accordance with their report reproduced on page 47, Knight Frank valued the Group's investment properties at £7,774.9m as at 31 March 2001. Taken with the Group's one third holding in the

Birmingham Alliance and the one half holding in the Portsmouth limited partnership, the portfolio had a value of £7,905.9m. This is an increase of £452.2m over that at the previous year end. After taking into account total expenditure on properties of £577.8m and the aggregate book value of properties sold during the year of £424.9m, the surplus on valuation was £299.3m.

(ii) Net Assets

The investment portfolio valuation has been included in the financial statements for the year ended 31 March 2001 and the net assets of the Group at that date amounted to £6,150.9m. Without adjusting for any taxation which would become payable in the event of properties being sold, the net assets attributable to each share in issue on that date were 1175p. Taking into account shares reserved for issue under the terms of the Group's convertible bonds and employee share schemes, the diluted net asset value per share was 1154p.

The amount of tax on capital gains, which would become payable in the event of sales of the properties at the amounts at which they are included in the financial statements, is given in Note 8 on page 58. The amount, in the region of £540m (2000 £490m), represents approximately 97p per share on a fully diluted basis.

4 DIRECTORS

The directors who held office during the year were:

- *P G Birch CBE
- I J Henderson
- M R Griffiths
- K Redshaw (retired 20 March 2001)
- J I K Murray
- *P B Hardy
- *Sir Alistair Grant (died 23 January 2001)
- *Sir Winfried Bischoff
- P Walicknowski (appointed 1 September 2000)
- *G I Henderson CBE (appointed 2 October 2000)
- M J Chande (appointed 29 November 2000)
- *Non-executive and member of the Remuneration and Audit Committees.

In addition, F W Salway was appointed a director on 2 April 2001.

Biographical details of the directors appear on page 39.

Since P Walicknowski, G I Henderson, M J Chande and F W Salway were appointed subsequent to the last Annual General Meeting, they will retire from the Board and, being eligible, offer themselves for re-appointment. G I Henderson does not have a service agreement with the Group.

The three newly appointed executive directors' service agreements provide for extended initial notice periods as part of the overall terms and conditions required to recruit executive directors of the requisite calibre. P Walicknowski has a service agreement under which he is employed initially on a three-year fixed term, then subject to one year's rolling notice by either party, such notice not to be given to take effect before 1 September 2003. M J Chande has a service agreement under which he is employed initially on a two-year fixed term. However either party will have the option to give six months' notice prior to 29 November 2002 to extend the agreement for a further fixed period of one year. If such notice is given, the contract will continue subject to one year's rolling notice by either party. F W Salway has a service agreement under which he is employed initially on a two-year fixed term contract then subject to one year's rolling notice by either party, such notice not to be given to take effect before the second anniversary of his commencement date of 9 October 2000.

J I K Murray has informed the Company that he does not wish to stand for re-election at this year's Annual General Meeting. I J Henderson and P B Hardy retire from the Board by rotation and, being eligible, offer themselves for re-election. I J Henderson has a service agreement with the Company with a notice period of one year. P B Hardy does not have a service agreement with the Company.

Particulars of the interests of each director in the shares and debentures of the Company, as shown by the Register of directors' Share and Debenture Interests, and of their holdings of options over Ordinary Shares, are set out in Note 7 on page 57.

Apart from share options, no contract subsisted during or at the end of the financial year in which a director of the Company is or was materially interested and which is or was significant in relation to the Group's business.

5 SHARE CAPITAL

The Company was authorised at an Extraordinary General Meeting held on 6 April 2000 to purchase in the market Ordinary Shares representing up to approximately 14.9% of the issued share capital at that time with such authority to expire at the 2001 Annual General Meeting. However, no shares were purchased in the year to 31 March 2001. A resolution to renew this authority will be proposed at the Annual General Meeting.

6 SUBSTANTIAL SHAREHOLDERS

At 11 May 2001 the following interests in issued share capital had been notified to the Company under Part VI of the Companies Act 1985.

	No. of shares	%
M&G Investment Management Limited	19,769,757	3.77
Axa SA	17,736,285	3.38
Zurich Financial Services	17,116,759	3.26

7 STAFF

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

The Group is committed to achieving a high standard of health & safety and continually reviews its policies and practices to ensure that those standards are maintained. Further details are given on page 37.

8 DONATIONS

During the year ended 31 March 2001 charitable donations amounted to £1,081,000. This amount included £688,000 paid to charitable trusts investigating sites of considerable archaeological importance. Also included in the above figure was a contribution during the year of £214,000 to St Martin's Church in Birmingham. The Birmingham Alliance, which is developing the new Bull Ring in Birmingham, has agreed to make a total charitable donation of £1,500,000 to this church, to which the Group will contribute £500,000.

There were no contributions of a political nature during the year.

9 ENVIRONMENT

The Group's environmental policy is outlined on page 37.

10 PAYMENT POLICY

The Group is a registered supporter of the CBI's Better Payment Practice Code to which it subscribes when dealing with all of its suppliers.

The Code requires a clear and consistent policy that payments are made in accordance with contract or as required by law; that payment terms are agreed at the outset of a transaction and adhered to; that no amendments to payment terms are made without the prior agreement of suppliers and that there is a system which deals quickly with complaints and disputes to ensure that suppliers are advised accordingly without delay when invoices or parts thereof are contested.

The effect of the Group's payment policy is that its trade creditors at the financial year end represented 17.8 days' purchases.

11 ANNUAL GENERAL MEETING

Accompanying this Report is the Notice of the Annual General Meeting which sets out the resolutions for the meeting. These are explained in a letter from the chairman which accompanies the Notice.

12 AUDITORS

A resolution to re-appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board

P M DUDGEON

Secretary

23 May 2001.

DIRECTORS' RESPONSIBILITIES AND AUDITORS' REPORT

DIRECTORS' RESPONSIBILITIES

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their profit or loss for that period and comply with the Companies Act 1985.

The directors are responsible for ensuring that applicable accounting standards have been followed and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements.

It is also the responsibility of the directors to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are also responsible for maintaining proper accounting records so as to enable them to comply with company law. The directors have general responsibilities for safeguarding the assets of the Company and of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF LAND SECURITIES PLC

We have audited the financial statements on pages 48 to 67 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 52 and 53.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on this page, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 40 and 41 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London
23 May 2001

VALUERS' REPORT

The Directors,
Land Securities PLC,
5 Strand,
London,
WC2N 5AF

Dear Sirs,

LAND SECURITIES PLC

In accordance with your instructions to prepare a valuation for financial reporting purposes we have made all relevant enquiries, and obtained such further information as necessary to provide you with our opinion of the current Open Market Values of the freehold and leasehold investment properties owned by your Company and its subsidiaries or held by way of Limited Partnership arrangements as at 31st March 2001. As is your customary practice, all properties for which there was an unconditional contract to purchase at the valuation date have been included in the valuation and those for which there was an unconditional contract for sale have been excluded.

Our valuation has been conducted in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors and the valuation has been undertaken by us as External Valuers. The properties have been valued individually on the basis of "Open Market Value" defined as:- "an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- a) a willing seller;
- b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion".

No allowance has been made for expenses of realisation or for any taxation which might arise and our valuations are expressed exclusive of any Value Added Tax that may become chargeable. As in previous years, investment properties held for, or in the course of, development are included at Open Market Value.

Our valuations assume that the properties have good and marketable titles and are free of any undisclosed onerous burdens, outgoing or restrictions. We have not seen planning consents and, except where advised to the contrary, have assumed that the properties have been erected and are being occupied and used in accordance with all requisite consents and that there are no outstanding statutory notices.

We have not read documents of title or leases and, for the purpose of our valuations, have accepted the details of tenure, tenancies and all other relevant information with which we have been supplied by your Company. When considering the covenant strength of individual tenants we have not carried out credit enquiries but have reflected in our valuations our general understanding of purchasers' likely perceptions of tenants' financial status. We have, in addition, discussed with the Company any bad debts or material arrears of rent such as might reflect on covenant.

We last reported on the value of the properties as at 30th September 2000. We have not re-inspected all properties for the purpose of this valuation but can confirm that all properties have been inspected within the last twelve months.

We were not instructed to carry out structural surveys of the properties, nor to test the services, but have reflected in our valuations, where necessary, any defects, items of disrepair or outstanding works of alteration or improvement which we noticed during the course of our inspections or of which you have advised us. Our valuations assume the buildings contain no deleterious materials and that the sites are unaffected by adverse soil conditions except where we have been notified to the contrary.

We have not carried out any scientific investigations of the sites or any of the properties to establish the existence or otherwise of any environmental contamination. The Company has established procedures for identifying and investigating environmental matters and we have been provided with reports for certain properties which we have discussed with the Company. The environmental reviews which have been carried out by or on behalf of the Company have not, we understand, led the Directors to believe that there are any significant potential environmental problems within the Group's portfolio. In accordance with our enquiries of the Company, and the contents of the above-mentioned reports, we have assumed that the land and buildings, the subject of our valuations, do not suffer from any significant environmental problems.

Having regard to the foregoing we are of the opinion that the values of those properties held by the Company and its subsidiaries as at 31st March 2001 totalled £7,774,949,000, (SEVEN THOUSAND SEVEN HUNDRED AND SEVENTY FOUR MILLION NINE HUNDRED AND FORTY NINE THOUSAND POUNDS).

In addition, we have undertaken valuations of those properties held by way of Limited Partnership interests. These comprise the Birmingham Alliance Limited Partnership, in which the Company holds a one third share, and the Gunwharf Quays Limited Partnership, in which the Company holds one half share. In respect of the Gunwharf Quays Limited Partnership, the Company has acquired its interest subject to an agreement under which part only of the total purchase consideration has been paid and which provides for the balance, to be determined in relation to performance criteria, to be paid at specified future dates. For the avoidance of doubt, our valuation reflects the obligation to meet these payments when due.

We are of the opinion that the aggregate values of the interests in land held by the Limited Partnerships in which the Company held an interest as at 31st March 2001 totalled £360,830,000 (THREE HUNDRED AND SIXTY MILLION, EIGHT HUNDRED AND THIRTY THOUSAND POUNDS). For the avoidance of doubt, we confirm that this valuation is of the total assets held by the Limited Partnerships and is not a valuation of the Company's shareholdings therein.

We understand that the tables which accompany this valuation, giving a breakdown of the portfolio by tenure, property types and regional distribution, are to be reproduced elsewhere in the Company's Report and Financial Statements as will a listing of the majority of properties by value.

Within the following tables our valuation of the Company's interests in land held by Limited Partnerships is included as a mathematical share (The Birmingham Alliance Limited Partnership at one third and Gunwharf Quays Limited Partnership at one half) of the value reported above, thus producing a total as at 31st March 2001 of £7,905,909,000. We must emphasise that the apportioned figures do not represent a valuation of the Company's shares in those Limited Partnerships.

Our valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. If our opinion of value is disclosed to persons other than the addressees of this report, the basis of valuation should be stated. If it is proposed to publish the figure, the form and context in which the figure is to appear should be approved by us beforehand.

Yours faithfully

Knight Frank
25 April 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2001

	Notes	£m	Acquisition £m	2001 £m	2000 £m	
GROSS PROPERTY INCOME	2	549.9	97.3	647.2	528.2	
NET PROPERTY INCOME	2	474.8	22.7	497.5	457.2	
Property management and administration expenses (including bid costs of £0.6m ; 2000 £Nil)	3	(35.4)	(10.3)	(45.7)	(32.1)	
OPERATING PROFIT		439.4	12.4	451.8	425.1	
Profit on sales of properties		6.3	–	6.3	26.0	
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		445.7	12.4	458.1	451.1	
Interest receivable and similar income	4	6.6	1.0	7.6	19.5	
Interest payable and similar charges	4	(145.7)	(5.4)	(151.1)	(142.9)	
Revenue profit		300.3	8.6	308.9	301.7	
Profit on sales of properties and bid costs		6.3	(.6)	5.7	26.0	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		306.6	8.0	314.6	327.7	
Taxation on:						
Revenue profit				(81.7)	(75.1)	
Property sales and bid costs				.2	(.6)	
Taxation	8			(81.5)	(75.7)	
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				233.1	252.0	
Dividends	9			(170.1)	(165.7)	
RETAINED PROFIT FOR THE FINANCIAL YEAR	26			63.0	86.3	
			2001		2000	
			Basic	Diluted	Basic	Diluted
EARNINGS PER SHARE	10	44.57p	44.14p		45.44p	44.97p
ADJUSTED EARNINGS PER SHARE	10	43.44p	43.08p		40.86p	40.63p
DIVIDENDS PER SHARE	9		32.50p			31.00p
DIVIDEND COVER (times)						
Profit after taxation			1.37			1.52
Profit excluding results of property sales and bid costs after taxation			1.34			1.37

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

The notes on pages 52 to 67 form an integral part of these financial statements.

BALANCE SHEETS

31 March 2001

	Notes	Group		Company	
		2001 £m	2000 £m	2001 £m	2000 £m
FIXED ASSETS					
Intangible assets					
Goodwill	12	41.9	–	–	–
Tangible assets					
Investment business properties	13	7,905.9	7,453.7	2,664.9	2,362.2
Properties held by Land Securities Trillium	14	323.1	–	–	–
Properties	15	8,229.0	7,453.7	2,664.9	2,362.2
Other tangible assets	17	34.1	14.7	–	–
Investments in group undertakings	18	–	–	4,959.8	4,827.7
		8,305.0	7,468.4	7,624.7	7,189.9
CURRENT ASSETS					
Debtors falling due within one year	19	173.6	180.9	59.9	102.3
Debtors falling due after more than one year	19	1.3	1.7	.2	–
Investments: short term deposits and corporate bonds		22.0	140.1	9.1	11.0
Cash at bank and in hand		7.3	–	–	–
		204.2	322.7	69.2	113.3
CREDITORS falling due within one year	20	(594.2)	(457.1)	(246.5)	(207.0)
NET CURRENT LIABILITIES		(390.0)	(134.4)	(177.3)	(93.7)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,915.0	7,334.0	7,447.4	7,096.2
CREDITORS falling due after more than one year					
Debentures, bonds and loans	21	(1,480.4)	(1,282.7)	(1,267.0)	(1,277.2)
Convertible bonds	22	(246.1)	(247.5)	(39.3)	(41.2)
Other creditors	23	(31.8)	(22.0)	(12.1)	(7.9)
PROVISIONS FOR LIABILITIES AND CHARGES	24	(5.8)	–	–	–
		6,150.9	5,781.8	6,129.0	5,769.9
CAPITAL AND RESERVES					
Called up share capital	25	523.6	522.4	523.6	522.4
Share premium account	26	312.0	305.2	312.0	305.2
Capital redemption reserve	26	36.0	36.0	36.0	36.0
Revaluation reserve	26	3,696.4	3,582.4	4,058.9	3,764.1
Other reserves	26	324.6	141.2	.1	–
Profit and loss account	26	1,258.3	1,194.6	1,198.4	1,142.2
EQUITY SHAREHOLDERS' FUNDS		6,150.9	5,781.8	6,129.0	5,769.9
NET ASSETS PER SHARE	11	1175p	1107p		
DILUTED NET ASSETS PER SHARE	11	1154p	1090p		

I J Henderson J I K Murray
Directors

The financial statements on pages 48 to 67 were approved by the directors on 23 May 2001.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2001

	Notes	Investment Business £m	Land Securities Trillium £m	£m	2001 £m	£m	2000 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	27	438.2	27.4		465.6		432.2
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE							
Interest received		8.8	1.0	9.8		29.5	
Interest paid		(99.4)	(4.4)	(103.8)		(141.1)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(90.6)	(3.4)	(94.0)			(111.6)
TAXATION – Corporation tax paid		(86.6)	(.9)	(87.5)			(74.1)
NET CASH INFLOW FROM OPERATING ACTIVITIES AND INVESTMENTS AFTER FINANCE CHARGES AND TAXATION		261.0	23.1		284.1		246.5
CAPITAL EXPENDITURE							
Additions to properties		(574.0)	(11.0)	(585.0)		(386.3)	
Sales of properties		491.3	–	491.3		196.1	
Investing in properties		(82.7)	(11.0)	(93.7)		(190.2)	
Increase in other tangible assets		(4.9)	(2.6)	(7.5)		(4.4)	
NET CASH OUTFLOW ON CAPITAL EXPENDITURE		(87.6)	(13.6)		(101.2)		(194.6)
ACQUISITION	28(a)				(114.2)		–
EQUITY DIVIDENDS PAID					(164.1)		(166.8)
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING					(95.4)		(114.9)
MANAGEMENT OF LIQUID RESOURCES	28(b)				118.1		346.5
FINANCING							
Issues of shares	25			1.2		.6	
Purchase and cancellation of own shares				(6.0)		(243.9)	
(Decrease)/increase in debt	28(c)			(14.1)		11.3	
NET CASH OUTFLOW FROM FINANCING					(18.9)		(232.0)
INCREASE/(DECREASE) IN CASH IN YEAR					3.8		(.4)
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT							
Increase/(decrease) in cash in year					3.8		(.4)
Cash outflow/(inflow) from decrease/(increase) in debt					14.1		(11.3)
Cash inflow from decrease in liquid resources					(118.1)		(346.5)
Change in net debt resulting from cash flow	29				(100.2)		(358.2)
Non-cash changes in debt	29				1.4		24.7
Loans acquired with new group undertaking	29				(212.8)		–
Movement in net debt in year					(311.6)		(333.5)
Net debt at 1 April					(1,416.2)		(1,082.7)
Net debt at 31 March	29				(1,727.8)		(1,416.2)

Major Non-Cash Transactions

Part of the consideration for the acquisition of the group undertaking that occurred during the year comprised shares. Further details of the acquisition are set out in Note 12.

OTHER PRIMARY STATEMENTS

for the year ended 31 March 2001

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	Notes	2001 £m	2000 £m
Profit on ordinary activities after taxation (page 48)		233.1	252.0
Unrealised surplus on valuation of properties	26	299.3	454.0
Taxation on valuation surpluses realised on sales of properties	26	(1.8)	(5.2)
Total gains and losses recognised since last financial statements		530.6	700.8

NOTE OF HISTORICAL COST PROFITS AND LOSSES		2001 £m	2000 £m
Profit on ordinary activities before taxation (page 48)		314.6	327.7
Valuation surplus of previous years realised on sales of properties	26	185.3	158.1
Taxation on valuation surpluses realised on sales of properties	26	(1.8)	(5.2)
Historical cost profit on ordinary activities before taxation		498.1	480.6
Taxation	8	(81.5)	(75.7)
Historical cost profit on ordinary activities after taxation		416.6	404.9
Dividends	9	(170.1)	(165.7)
Retained historical cost profit for the year		246.5	239.2

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS		2001 £m	2000 £m
Profit on ordinary activities after taxation (page 48)		233.1	252.0
Dividends	9	(170.1)	(165.7)
Retained profit for the financial year (page 48)		63.0	86.3
Unrealised surplus on valuation of properties	26	299.3	454.0
Taxation on valuation surpluses realised on sales of properties	26	(1.8)	(5.2)
Premium arising on issues of shares	26	7.5	22.0
Issues of shares	25	1.2	4.1
Purchase and cancellation of own shares	26	(.1)	(249.8)
		369.1	311.4
Opening equity shareholders' funds		5,781.8	5,470.4
Closing equity shareholders' funds		6,150.9	5,781.8

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

1 Accounting Policies

The financial statements have been prepared under the historical cost convention modified by the revaluation of properties and in accordance with applicable accounting standards. Compliance with SSAP 19 “Accounting for Investment Properties” requires a departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of this departure is given in (h) (ii) below.

The significant accounting policies adopted by the group are set out below.

(a) CONSOLIDATION

The consolidated financial statements of the group include the audited financial statements of the company and group undertakings, all of which were for the year ended 31 March 2001 or for the appropriate period ended that date in respect of acquisitions during the year.

(b) CONSOLIDATED PROFIT AND LOSS ACCOUNT AND OTHER PRIMARY STATEMENTS

The profit on ordinary activities before taxation is arrived at after taking into account income and outgoings on all properties, including those under development and, in accordance with FRS3 “Reporting Financial Performance”, profits and losses on sales of properties calculated by comparing net sales proceeds with book values.

Realised surpluses and deficits relating to previous years on properties sold during the year are taken to other reserves.

Unrealised capital surpluses and deficits, including those arising on valuation of properties, are taken to revaluation reserve.

(c) GROSS PROPERTY INCOME

The group’s gross property income comprises rental income, service charges and other recoveries from tenants of its investment business properties and property services income due from its total property services business.

Rental income arising on investment business properties is accounted for on an accruals basis under the terms of ongoing leases.

(d) BID COSTS

When the group has either been awarded the contract or selected as a preferred bidder, external incremental costs associated with bids for outsourcing contracts are treated as prepayments and amortised over the life of the contract. Otherwise, such costs are charged to the profit and loss account in the accounting period in which they are incurred. Once written off, bid costs are not reinstated in a subsequent accounting period.

(e) PENSIONS

Contributions to defined benefit pension schemes, based on independent actuarial advice, are charged to the profit and loss account on a basis that spreads the expected cost of benefits over the employees’ working lives with the group. Variations from regular costs are spread over the anticipated remaining working lives of employees in the schemes.

(f) TAXATION

In accordance with FRS 16 “Current Taxation”, taxation attributable to sales of properties is charged to the profit and loss account and to the statement of total recognised gains and losses as appropriate.

No provision is made for taxation which would become payable under present legislation in the event of future sales of the properties at the amounts at which they are stated in the financial statements. However an estimate of the potential liability is shown in Note 8.

Deferred taxation is accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that liabilities or assets are expected to be payable or receivable in the foreseeable future.

(g) GOODWILL

Goodwill arising on the acquisition of group undertakings, calculated as being the excess of cost over the fair value of net assets acquired, is capitalised in the year in which it arises and amortised over its estimated useful life.

(h) INVESTMENT BUSINESS PROPERTIES

(i) Valuation

Investment business properties held for development or investment are included in the financial statements at open market values based on the latest professional valuation. At 31 March 2001 a valuation was carried out by Knight Frank and a copy of their report is set out on page 47. The valuation included all properties for which there were unconditional contracts to purchase but excluded those for which there were unconditional contracts for sale. Additions to properties include costs of a capital nature only; interest and other costs in respect of developments and refurbishments are treated as revenue expenditure and written off as incurred.

(ii) Depreciation and amortisation

In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold or leasehold properties held on leases having more than 20 years unexpired. This departure from the requirements of the Companies Act 1985, for all properties to be depreciated, is, in the opinion of the directors, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards, as properties are included in the financial statements at their open market value.

The effect of depreciation and amortisation on value is already reflected annually in the valuation of properties, and the amount attributed to this factor by the valuers cannot reasonably be separately identified or quantified. Had the provisions of the Act been followed, net assets would not have been affected but revenue profits would have been reduced for this and earlier years.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

(i) PROPERTIES HELD BY LAND SECURITIES TRILLIUM

These properties are within the total property services business as part of the outsourcing contract and will be held at cost to the group.

Freehold land is stated at historical cost and is not depreciated.

Freehold buildings are depreciated in equal annual instalments over 50 years and leaseholds over their unexpired lease terms.

Expenditure which enhances the value of a building is capitalised and depreciated over the remaining life of the building up to a maximum of 50 years or, if appropriate, its expected life. Repair and maintenance expenditure is written off to the profit and loss account as incurred.

(j) OTHER TANGIBLE ASSETS

These comprise computers, motor vehicles, furniture, fixtures and fittings and improvements to group offices and are depreciated on a straight-line basis over their estimated useful lives of two to ten years.

(k) INVESTMENTS IN GROUP UNDERTAKINGS

(i) Valuation

The company's investments in the shares of group undertakings are stated at directors' valuation on a basis which takes account of the net assets of the group undertakings at 31 March 2001 which will include, where applicable, the professional valuation of properties. Surpluses and deficits arising from the directors' valuation are taken to revaluation reserve.

(ii) Acquisitions

Acquisitions during the year are accounted for by the acquisition method of accounting based on the fair values of the acquired group undertakings' assets and liabilities at the date of acquisition. Where the cost of acquisition exceeds the fair values attributable to the net assets acquired, the difference is treated as goodwill and capitalised in the group's balance sheet in the year of acquisition and amortised to the profit and loss account over its useful life.

The results and cashflows relating to the acquired group undertakings are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

(l) PROVISIONS FOR LIABILITIES AND CHARGES

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. Provisions are discounted to their present value and the notional interest charge representing the unwinding of the discount is included in 'interest payable and similar charges' within the consolidated profit and loss account.

(m) FINANCIAL INSTRUMENTS

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

Where interest rate swaps have commenced the differences between the rates payable by the group and the rates payable by the counterparties are dealt with on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

2 Net Property Income

	£m	Acquisition £m	2001 £m	2000 £m
Rental income	498.4	–	498.4	479.9
Property services income	–	97.3	97.3	–
Service charges and other recoveries	51.5	–	51.5	48.3
Gross property income	549.9	97.3	647.2	528.2
Rents payable	(17.5)	(30.2)	(47.7)	(16.4)
Other property outgoings	(57.6)	(44.4)	(102.0)	(54.6)
	(75.1)	(74.6)	(149.7)	(71.0)
	474.8	22.7	497.5	457.2

Other property outgoings are costs incurred in providing services in compliance with the outsourcing contract and in the direct maintenance and upkeep of investment properties. Void costs, which include those relating to empty properties pending redevelopment and refurbishment, costs of investigating potential development schemes which are not proceeded with and **£6.9m** (2000 £4.2m) in respect of housekeepers and outside staff described as direct property services and shown in staff costs in Note 5, are also included. In addition, depreciation of **£3.1m** (2000 £0.2m), which includes **£1.3m** relating to Trillium, in respect of other tangible assets (Note 17), together with **£1.6m** for properties held by Land Securities Trillium (Note 14), are treated as other property outgoings.

3 Property Management and Administration Expenses

These include:

	2001 £m	2000 £m
Auditors' remuneration (Company: £70,000 ; 2000 £68,000)	.3	.2
Staff costs (Note 5)	20.8	13.9
Directors' remuneration	2.8	1.7
Amortisation of goodwill	.8	–
Depreciation of other tangible assets (including Trillium £1.0m)	4.7	2.6

The group's property management and administration expenses consist of all costs of managing the portfolio, including the costs of staff involved in development projects, together with costs of rent reviews and renewals, relettings of properties and all office administration and operating costs. No staff costs or overheads are capitalised.

In addition to their fees for the audit, **£2,299,500** (2000 £491,300) was payable to the auditors for other services. This comprised Trillium's bid costs of **£710,200** (2000 £Nil), of which **£623,300** is treated as a prepayment in accordance with the accounting policy in Note 1(d), costs in connection with acquisitions **£584,200** (2000 £8,000) and taxation and other advice **£1,005,100** (2000 £483,300).

4 Interest

	£m	Acquisition £m	2001 £m	2000 £m
RECEIVABLE:				
Short term deposits and corporate bonds	5.9	1.0	6.9	18.7
Other interest receivable	.7	–	.7	.8
	6.6	1.0	7.6	19.5
PAYABLE:				
Borrowings not wholly repayable within five years	135.5	5.0	140.5	139.9
Borrowings wholly repayable within five years	8.2	–	8.2	1.1
Other interest payable	2.0	.4	2.4	1.9
	145.7	5.4	151.1	142.9

Interest payable includes **£4.5m** (2000 £0.2m) in respect of bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

5 Staff and Pensions

EMPLOYEES

The average number of employees during the year, excluding directors, and the corresponding aggregate staff costs were:

	Investment Business No.	£m	Land Securities Trillium* No.	£m	2001 No.	2000 No.	2001 £m	2000 £m
Property management and administration	268	15.7	163	5.1	431	263	20.8	13.9
Direct property services:								
Full time	155	3.7	460	2.9	615	184	6.6	3.9
Part time	46	.3	4	–	50	48	.3	.3
	469	19.7	627	8.0	1,096	495	27.7	18.1

STAFF COSTS

Salaries	14.4	6.7	21.1	13.3
Social Security	1.5	.8	2.3	1.3
Other pension	2.6	.5	3.1	2.6
Cash and share incentive schemes	1.2	–	1.2	.9
	19.7	8.0	27.7	18.1

*for the period 29 November 2000 to 31 March 2001

PENSIONS

The group has integrated its two main funded Inland Revenue approved non-contributory pension schemes. The scheme, which is closed to new entrants, provides defined benefits based on final pensionable salary. The assets of the scheme are held in self-administered trust funds which are separate from the group's assets.

Contributions to the scheme are determined by a qualified independent actuary on the basis of triennial valuations using the projected unit method.

The last such valuation as at 6 April 1999, after excluding annuities purchased to provide for pensions in payment, showed a market value of £56.3m and a corresponding actuarial value of assets of £49.4m. The funding level was 100%. The key assumptions made in the valuation were a total annual investment return of 7.5%, assuming an increase of 4% in dividend income, a post-retirement investment return of 7%, annual increases of 6.25% in pensionable earnings and 4% in the Retail Prices Index.

A contributory money purchase scheme was introduced on 1 January 1999 for all new administrative and senior property based staff, subject to eligibility, together with a separate similar scheme, effective 1 April 1998, for other property based staff. A separate similar scheme, previously set up by Trillium, is also in operation for Land Securities Trillium staff. In addition, as part of the PRIME Agreement, the group is obliged to provide pension benefits under a now closed funded defined benefit scheme applicable to less than 20 employees.

The charge to the profit and loss account for pension costs amounted to **£4.3m** (2000 £3.2m).

No other post-retirement benefits are made available to employees of the group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

6 Executive and Savings Related Share Option Schemes

	Option price	2000 Executive Share Option Scheme	No. of Options	
			1984 Executive Share Option Scheme	1983 & 1993 Savings Related Share Option Schemes
At 1 April 2000			441,600	409,960
Granted	628p			76,990
	801p	70,000		
	820p	956,562		
	824p	150,000		
Exercised (Note 25)			(146,350)	(63,786)
Lapsed				(23,509)
At 31 March 2001		1,176,562	295,250	399,655

The options outstanding under the 1984 executive share option scheme are exercisable at 618.6p up to July 2004 and those under the 2000 scheme up to 2010. The options outstanding under the savings related share option schemes are exercisable at prices between 476p and 736p, after three, five or seven years from the date of grant.

7 Directors' Emoluments, Share Options and Interests in Ordinary Shares

EMOLUMENTS

The emoluments of the directors, including pension contributions and the value of shares in the company of **£190,800** (2000 £Nil) at 880p per share, awarded under the company's long term incentive plan ('LTIP') in respect of the year ended 31 March 1999 vested unconditionally on 30 March 2001, amounted to **£3,580,000** (2000 £1,899,000).

£'000	Benefits					Total emoluments excluding pensions		Pension contributions	
	Basic Salary	Profit Sharing & Bonuses	LTIP Shares	Car & Medical	Fees	2001	2000	2001	2000
EXECUTIVE:									
I J Henderson	398	101	63	11	–	573	395	151	141
M R Griffiths	233	61	42	14	–	350	274	81	79
K Redshaw (retired 20.3.2001)	235	61	42	12	–	350	303	620	79
J I K Murray	250	227	44	12	–	533	331	87	82
P Walicknowski (appointed 1.9.2000)	297	143	–	6	–	446	–	8	–
M Chande (appointed 29.11.2000)	101	18	–	5	–	124	–	25	–
NON-EXECUTIVE:									
P G Birch (Chairman)	–	–	–	–	138	138	137	–	–
John Hull (retired 14.7.1999)	–	–	–	–	–	–	14	–	–
P B Hardy	–	–	–	–	31	31	28	–	–
Sir Alistair Grant (to 22.1.2001)	–	–	–	–	21	21	25	–	–
Sir Winfried Bischoff	–	–	–	–	29	29	11	–	–
G I Henderson (appointed 2.10.2000)	–	–	–	–	13	13	–	–	–
Total 2001	1,514	611	191	60	232	2,608		972	
Total 2000	1,020	238	–	56	204		1,518		381

Benefits include all assessable tax benefits arising from employment within the group comprising: the provision of a company car, private medical facilities, the value of shares allocated under the 1989 and 1999 Profit Sharing Schemes and a bonus of 18 per cent of salary payable under the senior executive annual bonus scheme apportioned equally in cash and shares. Bonuses received by J I K Murray include **£37,500** in recognition of 20 years service to the group and a special bonus of **£125,000**. In addition to his emoluments set out above, K Redshaw received compensation for loss of office of **£465,000**, which includes a superannuation gratuity of **£115,000**.

The total emoluments of the highest paid director, including **£43,900** (2000 £Nil) received in shares under the long term incentive plan and gains before tax of **£55,700** (2000 £18,400) made on the exercise of share options during the year but excluding pension contributions, amounted to **£588,700** (2000 £413,200). The accrued pension as at 31 March 2001 for the highest paid director was **£153,100** (2000 £200,700). Pensions of **£175,000** (2000 £179,400) were paid to former directors. A brief explanation of pension arrangements for directors, including a table of accrued pension entitlements as at 31 March 2001, and details of amounts receivable under the LTIP are provided on page 43.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

7 Directors' Emoluments, Share Options and Interests in Ordinary Shares *continued*

OPTIONS OVER ORDINARY SHARES

	No. of options at 1 April 2000	Granted during year		Exercised during year			Options at 31 March 2001		
		No.	Grant price (pence)	No.	Exercise price (pence)	Market price on exercise (pence)	No.	Exercise price (pence)	Exercisable dates
I J Henderson	(1) 27,000						27,000	618.6	7/1997 – 7/2004
	(2)	174,562	820				174,562	820	9/2003 – 9/2010
	(3) 4,310						4,310	608.9*	7/2001 – 7/2004
M R Griffiths	(1) 33,500						33,500	618.6	7/1997 – 7/2004
	(2)	50,000	820				50,000	820	9/2003 – 9/2010
	(3) 4,358			(819)	476	756	3,539	605*	7/2001 – 7/2006
J I K Murray	(1) 37,000			(12,000)	618.6	815	12,500	618.6	7/1997 – 7/2004
	(1)			(12,500)	618.6	875.5			
	(3) 3,481						3,481	560*	7/2002 – 7/2004
P Walicknowski	(2) –	200,000	820				200,000	820	9/2003 – 9/2010
M Chande	(2) –	150,000	824				150,000	824	11/2003 – 11/2010

(1) 1984 Executive Share Option Scheme (2) 2000 Executive Share Option Scheme (3) 1983 & 1993 Savings Related Share Option Scheme

*weighted average exercise price

The range of the closing middle market prices for Land Securities shares during the year was 710p to 930p. The middle market price at 31 March 2001 was 880p.

The aggregate of gains before tax made by the directors on exercise of share options during the year amounted to **£58,000** (2000 £46,400).

The 1984 Executive Share Option Scheme was approved by the Inland Revenue on 24 April 1985 and permitted the Remuneration Committee to grant options to directors and key executives for a consideration of £1 for each grant. The Scheme, which expired on 24 April 1995, complied with best practice at the time of its introduction and included such standard terms as a limitation on the aggregate value of grants to each selected executive of four times that individual's annual remuneration and a bar on the exercise of options within three years of their issue.

During the year, the Land Securities PLC 2000 Executive Share Option Scheme was introduced and a summary of this scheme is set out in the Remuneration Committee Report on page 43.

Options granted under the savings related schemes are exercisable at prices between 476p and 736p per share after five or seven years from date of grant.

Non-executive directors do not participate in, and hence do not hold any options under, the group's share option schemes.

INTERESTS IN ORDINARY SHARES

The beneficial interests of the directors in the ordinary shares of the company as at 31 March were:

	No. of shares	
	2001	2000
P G Birch	22,864	22,864
I J Henderson	82,433	83,937
M R Griffiths	30,771	30,634
J I K Murray	31,056	31,681
P Walicknowski	17,000	17,000*
M Chande	1,000	—*
P B Hardy	19,200	19,200
Sir Winfried Bischoff	10,000	10,000
G I Henderson	3,000	3,000*

*at date of appointment

I J Henderson, M R Griffiths and J I K Murray are Trustees of the 1989 Profit Sharing Scheme and as a consequence at 31 March 2001 held a non-beneficial interest in **70,571** shares (2000 135,876 shares).

The beneficial interests of I J Henderson, M R Griffiths and J I K Murray each include **2,865** shares (2000 2,712 shares) appropriated under the scheme, which are also included in their non-beneficial holdings.

M J Chande is the holder of a 50% interest in Mychand Holdings Limited which had a holding of 1,000,000 shares at 31 March 2001.

There have been no changes in the beneficial and non-beneficial shareholdings of the directors since the end of the financial year up to 23 May 2001.

No director had any other interests in the securities of Land Securities PLC or any of its subsidiary undertakings during the year.

The registers of directors' share and debenture interests and holdings of options, which are open to inspection at the company's registered office, contain full details of directors' interests.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

8 Taxation

The charge for taxation is made up as follows:

Revenue profit at the Corporation Tax rate of **30%** (2000 30%)

Tax allowances on expenditure relating to properties

Movement in deferred taxation

Other adjustments

Adjustments relating to previous years

On revenue profit

On property sales and bid costs

	2001 £m	2000 £m
	92.7	90.5
	(12.3)	(12.2)
	–	1.0
	1.8	(.2)
	82.2	79.1
	(.5)	(4.0)
	81.7	75.1
	(.2)	.6
	81.5	75.7

The amount of tax on capital gains which would become payable in the event of sales of the properties at the amounts at which they are stated in the balance sheet is in the region of **£540m** (2000 £490m) for the group and **£230m** (2000 £190m) for the company.

9 Equity Dividends

Interim paid

Proposed final

	2001 pence per share	2000 pence per share	2001 £m	2000 £m
	8.65	8.25	45.2	46.8
	23.85	22.75	124.9	118.9
	32.50	31.00	170.1	165.7

10 Earnings per Share

	Profit after taxation		Weighted average no. of shares		Earnings per share	
	2001 £m	2000 £m	2001 m	2000 m	2001 pence	2000 pence
EARNINGS PER SHARE						
Earnings per share	233.1	252.0	523.0	554.4	44.57	45.44
Effect of dilutive securities:						
Convertible bonds	11.2	11.3	30.2	30.8		
Share options			.2	.2		
Diluted earnings per share	244.3	263.3	553.4	585.4	44.14	44.97
ADJUSTED EARNINGS PER SHARE						
Earnings per share	233.1	252.0	523.0	554.4	44.57	45.44
Effect of results of property sales and bid costs after taxation	(5.9)	(25.4)			(1.13)	(4.58)
Adjusted earnings per share	227.2	226.6	523.0	554.4	43.44	40.86
Diluted earnings per share	244.3	263.3	553.4	585.4	44.14	44.97
Effect of results of property sales and bid costs after taxation	(5.9)	(25.4)			(1.06)	(4.34)
Adjusted diluted earnings per share	238.4	237.9	553.4	585.4	43.08	40.63

Adjusted earnings and adjusted diluted earnings per share have been disclosed to show measures of earnings that reflect the principal operating activities of the group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

11 Net Assets per Share

Net assets per share are calculated on net assets of **£6,150.9m** (2000 £5,781.8m) and on **523.6m** shares (2000 522.4m shares).

The diluted net assets per share are calculated on adjusted net assets of **£6,411.0m** (2000 £6,034.5m) and on **555.7m** shares (2000 553.8m shares) after adjusting for the effects of the exercise of share options and of conversion rights relating to the convertible bonds on net assets and the number of shares in issue.

12 Acquisition and Goodwill

The group acquired the entire issued share capital of Trillium Investments GP Limited ("Trillium") on 29 November 2000 for a consideration of **£169.5m**, including costs. This has been accounted for by the acquisition method of accounting. Goodwill arising as a result of the acquisition was **£42.7m**.

The movements in goodwill during the period were:

	£m
At date of acquisition of Trillium	42.7
Amortisation for the period	(0.8)
At 31 March 2001	41.9

The results of Trillium were as follows:

Profit after taxation prior to acquisition	£m
1 January 2000 to the date of acquisition	8.1
Preceding financial year ended 31 December 1999	4.4

Trillium underwent an internal restructuring on 6 November 2000. As a result, the fair values of its assets and liabilities at the date of acquisition by Land Securities PLC were not materially different from their book values at that date.

The following table shows the fair values of the major categories of assets and liabilities of Trillium acquired at the date of acquisition. The cash flow effects of the acquisition are given on page 50.

	At 29 November 2000	At 31 March 2001
	Fair value to the group £m	£m
Tangible fixed assets	331.8	341.5
Cash at bank and in hand	41.9	7.2
Other current assets	70.0	90.3
Loans	(212.8)	(208.9)
Creditors	(99.5)	(92.4)
Provisions	(4.6)	(4.7)
Net assets	126.8	133.0
Goodwill	42.7	
	169.5	
Consideration	£m	
Cash	152.2	
Expenses of acquisition	3.9	
	156.1	
Deferred consideration	7.8	
Shares allotted	5.6	
	169.5	

The goodwill arising on the acquisition has been capitalised in the current financial year and is being amortised over the remaining life of the PRIME Agreement in accordance with the accounting policy explained in Note 1(g).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

13 Investment Business Properties

(a) GROUP

At 1 April 2000: at valuation

Additions

Reclassifications

Sales

Unrealised surplus on valuation (Note 26(a))

At 31 March 2001: at valuation

	Freehold £m	Leasehold		Total £m
		Over 50 years to run £m	Under 50 years to run £m	
At 1 April 2000: at valuation	5,711.9	1,686.8	55.0	7,453.7
Additions	274.1	301.0	2.7	577.8
Reclassifications	–	(4.7)	4.7	–
Sales	(349.6)	(75.3)	–	(424.9)
	5,636.4	1,907.8	62.4	7,606.6
Unrealised surplus on valuation (Note 26(a))	206.1	85.6	7.6	299.3
At 31 March 2001: at valuation	5,842.5	1,993.4	70.0	7,905.9

(b) COMPANY

At 1 April 2000: at valuation

Additions

Transfer from group undertakings

Sales

Unrealised surplus on valuation (Note 26(b))

At 31 March 2001: at valuation

At 1 April 2000: at valuation	2,073.1	278.8	10.3	2,362.2
Additions	18.6	22.3	2.6	43.5
Transfer from group undertakings	52.3	–	–	52.3
Sales	(10.4)	(1.1)	–	(11.5)
	2,133.6	300.0	12.9	2,446.5
Unrealised surplus on valuation (Note 26(b))	182.4	35.7	.3	218.4
At 31 March 2001: at valuation	2,316.0	335.7	13.2	2,664.9

In respect of the group: freeholds include **£376.7m** (2000 £394.0m) of leaseholds with unexpired terms exceeding 900 years; leaseholds under 50 years to run include **£10.9m** (2000 £10.3m) with unexpired terms of 20 years or less.

The historical cost of investment properties are: group **£4,019.7m** (2000 £3,681.5m); company **£913.8m** (2000 £829.3m).

14 Properties held by Land Securities Trillium

COST

Fair values at date of acquisition of Trillium

Additions

At 31 March 2001

	Freehold land and buildings £m	Leasehold buildings		Total £m
		Over 50 years to run £m	Under 50 years to run £m	
Fair values at date of acquisition of Trillium	252.4	31.0	30.3	313.7
Additions	5.2	3.2	2.6	11.0
At 31 March 2001	257.6	34.2	32.9	324.7

ACCUMULATED DEPRECIATION

Depreciation for the period

At 31 March 2001

Depreciation for the period	(1.3)	(.2)	(.1)	(1.6)
At 31 March 2001	(1.3)	(.2)	(.1)	(1.6)

NET BOOK AMOUNT

At 31 March 2001

At date of acquisition of Trillium

At 31 March 2001	256.3	34.0	32.8	323.1
At date of acquisition of Trillium	252.4	31.0	30.3	313.7

Freehold and leasehold properties, originally acquired by Trillium under the PRIME Agreement, are stated at the fair values attributed to them at 29 November 2000, the date of acquisition of Trillium by the group. The directors are satisfied that there is nothing to indicate any diminution to the value of the properties.

Certain of the assets acquired under the PRIME Agreement are subject to a first charge granted to the DSS. The amount of this charge at 31 March 2001 is **£26.0m** which reduces to nil on a straight line basis after a further two years. The charge secures amounts which would become payable to the DSS on early termination of the PRIME Agreement in the relevant year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

15 Properties

	Freehold £m	Leasehold		Total £m	Investment Business (Note 13) £m	Land Securities Trillium (Note 14) £m
		Over 50 years to run £m	Under 50 years to run £m			
VALUATION/COST						
At 1 April 2000	5,711.9	1,686.8	55.0	7,453.7	7,453.7	–
Additions – on acquisition of Trillium	252.4	31.0	30.3	313.7	–	313.7
– during the year	279.3	304.2	5.3	588.8	577.8	11.0
Reclassifications	–	(4.7)	4.7	–	–	–
Sales	(349.6)	(75.3)	–	(424.9)	(424.9)	–
	5,894.0	1,942.0	95.3	7,931.3	7,606.6	324.7
Unrealised surplus on valuation	206.1	85.6	7.6	299.3	299.3	–
At 31 March 2001	6,100.1	2,027.6	102.9	8,230.6	7,905.9	324.7
ACCUMULATED DEPRECIATION						
Depreciation for the year	(1.3)	(.2)	(.1)	(1.6)	–	(1.6)
At 31 March 2001	(1.3)	(.2)	(.1)	(1.6)	–	(1.6)
VALUATION/NET BOOK AMOUNT						
At 31 March 2001	6,098.8	2,027.4	102.8	8,229.0	7,905.9	323.1
At 31 March 2000	5,711.9	1,686.8	55.0	7,453.7	7,453.7	–

16 Commitments for Future Expenditure on Investment Business Properties

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Under contract	254.8	92.6	12.6	31.9
Board authorisations not contracted	293.2	262.0	7.9	1.6
	548.0	354.6	20.5	33.5

17 Other Tangible Assets

	Cost £m	Depreciation £m	Net £m
At 1 April 2000	28.6	(13.9)	14.7
Additions – on acquisition of Trillium	18.1	–	18.1
– during the year	7.6	–	7.6
Disposals	(.3)	.2	(.1)
Depreciation for the year	–	(6.2)	(6.2)
At 31 March 2001	54.0	(19.9)	34.1

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

18 Investments in Group Undertakings

	Shares £m	Loans £m	Total £m
At 1 April 2000	4,419.4	408.3	4,827.7
Acquisition during the year (Note 12)	44.6	124.9	169.5
Increase/(decrease) during the year	24.0	(138.0)	(114.0)
Unrealised valuation surplus (Note 26 (b))	76.6		76.6
At 31 March 2001	4,564.6	395.2	4,959.8

Shares comprise ordinary shares of group undertakings and are stated in accordance with the accounting policy explained in Note 1(k).

Shares at 1 April 2000 included valuation surpluses of £2,419.5m. Loans to group undertakings have no fixed repayment dates.

The principal group undertakings, all of which are wholly owned, incorporated and operating in the United Kingdom, are noted in Note 31. As permitted by Section 231 Companies Act 1985, a complete listing of all of the group undertakings has not been provided on the grounds that the information would be of an unduly excessive length. A complete list of group undertakings will, however, be filed with the Annual Return.

19 Debtors

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Falling due within one year:				
Trade debtors	33.4	20.4	9.5	5.2
Capital debtors	18.5	15.5	4.5	5.1
Property sales debtors	52.1	113.6	–	52.2
Other debtors	29.4	12.2	4.6	3.9
Prepayments and accrued income	40.2	19.2	6.8	3.6
Taxation recoverable	–	–	34.5	32.3
	173.6	180.9	59.9	102.3
Falling due after more than one year:				
Capital debtors	1.0	.4	.2	–
Other debtors	.3	1.3	–	–
	1.3	1.7	.2	–

20 Creditors falling due within one year

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Debentures and loans (Note 21)	26.4	25.4	.3	.3
Overdraft	4.2	.7	–	–
Trade creditors	15.5	3.2	–	–
Taxation and Social Security	61.1	64.3	–	–
Proposed final dividend	124.9	118.9	124.9	118.9
Capital creditors	59.5	54.0	12.4	18.1
Other creditors	29.2	18.4	9.1	10.9
Accruals and deferred income	273.4	171.2	99.8	58.8
Deferred taxation (Note 24)	–	1.0	–	–
	594.2	457.1	246.5	207.0

Debentures and loans include **£0.4m** (2000 £0.4m) and **£0.3m** (2000 £0.3m) of instalments of borrowings that mature after more than one year repayable by the group and company respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

21 Debentures, Bonds and Loans

UNSECURED

10³/₄ per cent Exchange Bonds due 20049¹/₂ per cent Bonds due 2007

£200m 9 per cent Bonds due 2020

Bank borrowings

SECURED

6¹/₄ per cent Mortgage Debenture 2000/056¹/₂ per cent Mortgages 2000/058³/₄ per cent Mortgage 2001/047³/₄ per cent Mortgage 20086³/₈ per cent First Mortgage Debenture Stock 2008/13

10 per cent First Mortgage Debenture Stock 2025

10 per cent First Mortgage Debenture Stock 2027

10 per cent First Mortgage Debenture Stock 2030

Bank loan

Falling due within one year (Note 20)

Falling due after more than one year

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
10 ³ / ₄ per cent Exchange Bonds due 2004	21.2	21.2	21.2	21.2
9 ¹ / ₂ per cent Bonds due 2007	200.0	200.0	200.0	200.0
£200m 9 per cent Bonds due 2020	196.4	196.2	196.4	196.2
Bank borrowings	25.0	25.0	–	–
	442.6	442.4	417.6	417.4
SECURED				
6 ¹ / ₄ per cent Mortgage Debenture 2000/05	8.7	8.9	8.7	8.9
6 ¹ / ₂ per cent Mortgages 2000/05	8.7	8.9	8.7	8.9
8 ³ / ₄ per cent Mortgage 2001/04	–	10.0	–	10.0
7 ³ / ₄ per cent Mortgage 2008	5.6	5.6	–	–
6 ³ / ₈ per cent First Mortgage Debenture Stock 2008/13	32.3	32.3	32.3	32.3
10 per cent First Mortgage Debenture Stock 2025	400.0	400.0	400.0	400.0
10 per cent First Mortgage Debenture Stock 2027	200.0	200.0	200.0	200.0
10 per cent First Mortgage Debenture Stock 2030	200.0	200.0	200.0	200.0
Bank loan	208.9	–	–	–
	1,506.8	1,308.1	1,267.3	1,277.5
Falling due within one year (Note 20)	(26.4)	(25.4)	(.3)	(.3)
Falling due after more than one year	1,480.4	1,282.7	1,267.0	1,277.2

The interest rate on the secured bank loan, which is variable plus a margin depending on the debt service coverage ratio over a rolling nine month period, has been swapped to an effective rate of 7.1%.

Secured loans are charged on properties of the company and its group undertakings. The bank loan is secured on the unitary charge receivable from the DSS under the PRIME Agreement. From time to time, short term deposits are charged as temporary security until substitutions have been agreed for properties taken out of charge. At 31 March 2001, short term deposits of the group **£9.1m** (2000 £12.9m) and of the company **£9.1m** (2000 £11.0m) were charged as temporary security for borrowings until substitutions have been agreed for properties taken out of charge.

Borrowings of group undertakings of **£5.6m** (2000 £5.6m) are secured by charges on properties of the company and its group undertakings.

22 Convertible Bonds

£210m 6 per cent Guaranteed Convertible Bonds due 2007

7 per cent Convertible Bonds due 2008

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
£210m 6 per cent Guaranteed Convertible Bonds due 2007	206.8	206.3	–	–
7 per cent Convertible Bonds due 2008	39.3	41.2	39.3	41.2
	246.1	247.5	39.3	41.2

In accordance with the terms of their relevant Trust Deeds:

1) The 6 per cent Guaranteed Convertible Bonds, issued by Land Securities Finance (Jersey) Limited and guaranteed by the company, (i), at the holder's option may be converted, up to and including 22 March 2007, into 2¹/₂ per cent Exchangeable Redeemable Preference Shares in the issuer which are exchangeable for up to a maximum of 24,027,345 ordinary shares of £1 each in Land Securities PLC at 874p per share or (ii), at the option of the issuer may be redeemed on or after 14 April 2002 at par; earlier redemption can only take place if at least 85% of the bonds have been converted into ordinary shares or have been purchased or redeemed and then cancelled.

2) The 7 per cent Convertible Bonds (i), at the holders' option may be converted, up to and including 23 September 2008, into a maximum of 6,138,125 fully paid shares of £1 each at a conversion price of 640p per share or (ii), at the option of the company, may be redeemed at par. During the year, **£1,915,000** of the bonds were converted into **299,218** fully paid shares of £1 each.

23 Other Creditors falling due after more than one year

Deferred income

Deferred taxation (Note 24)

Other creditors

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Deferred income	20.4	18.6	7.1	6.8
Deferred taxation (Note 24)	–	.1	–	–
Other creditors	11.4	3.3	5.0	1.1
	31.8	22.0	12.1	7.9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

24 Provisions for Liabilities and Charges

	Dilapidations £m	Deferred taxation £m	Total £m
At 1 April 2000	–	–	–
Transfer from creditors (Notes 20 & 23)	–	1.1	1.1
Acquisition of Trillium	4.6	–	4.6
Notional interest charge	.1	–	.1
At 31 March 2001	4.7	1.1	5.8

25 Called up Share Capital

	2001 £m	2000 £m
Ordinary shares of £1 each:		
Authorised	720.0	720.0
Allotted and fully paid	523.6	522.4

The movements in share capital during the year were:

	Cash consideration received £m	No. of shares
Allotted:		
On acquisition of group undertaking	–	680,000
On the exercise of options granted under:		
1983 and 1993 Savings Related Share Option Schemes (Note 6)	.3	63,786
1984 Executive Share Option Scheme (Note 6)	.9	146,350
On conversion of 7 per cent Convertible Bonds due 2008		299,218
	1.2	1,189,354

The exercise of all options outstanding at 31 March 2001, granted under the savings related and executive share option schemes, would result in the issue of a further 1,871,467 ordinary shares.

26 Reserves

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
(a) GROUP						
At 1 April 2000	305.2	36.0	3,582.4	141.2	1,194.6	5,259.4
Premium arising on issues of shares	7.5					7.5
Purchase and cancellation of own shares				(.1)		(.1)
Unrealised surplus on valuation of properties (Note 13(a))			299.3			299.3
Realised on sales of properties			(185.3)	185.3		
Taxation on valuation surpluses realised on sales of properties				(1.8)		(1.8)
Retained profit for the year (page 48)					63.0	63.0
Amortised discount and issue expenses of bonds	(.7)				.7	
At 31 March 2001	312.0	36.0	3,696.4	324.6	1,258.3	5,627.3
(b) COMPANY						
At 1 April 2000	305.2	36.0	3,764.1	–	1,142.2	5,247.5
Premium arising on issues of shares	7.5					7.5
Purchase and cancellation of own shares				(.1)		(.1)
Unrealised surplus on valuation of properties (Note 13(b))			218.4			218.4
Realised on sales of properties			(.2)	.2		
Revaluation of shares in group undertakings (Note 18)			76.6			76.6
Retained profit for the year					55.5	55.5
Amortised discount and issue expenses of bonds	(.7)				.7	
At 31 March 2001	312.0	36.0	4,058.9	.1	1,198.4	5,605.4

Land Securities PLC has not presented its own profit and loss account, as permitted by Section 230(1)(b) Companies Act 1985. The retained profit for the year of the company, dealt with in its financial statements, was **£55.5m** (2000 £500.6m). The significant excess of the company's retained profit for the previous year over that of the group was mainly the result of interim dividends paid to the company by its group undertakings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

27 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2001 £m	2000 £m
Operating profit (page 48)	451.8	425.1
Depreciation and amortisation	8.6	2.8
Decrease/(increase) in debtors	16.5	(4.2)
(Decrease)/increase in creditors	(11.3)	8.5
Net cash inflow from operating activities	465.6	432.2

28 Analysis of Net Cash Flows

(a) ACQUISITION

	2001 £m
Purchase of group undertaking (Note 12)	(156.1)
Net cash acquired with group undertaking (Note 12)	41.9
Net cash outflow on acquisition of group undertaking	(114.2)

(b) MANAGEMENT OF LIQUID RESOURCES

	2001 £m	2000 £m
Net decrease in short term deposits	118.1	346.5
Net cash inflow from management of liquid resources	118.1	346.5

Liquid resources comprise short term deposits and corporate bonds which are readily realisable within one year.

(c) CASH MOVEMENT IN DEBT

	2001 £m	2000 £m
Debt due within one year – Repayment of secured debt	(.4)	(.6)
– Repayment of unsecured debt	(28.7)	(1.0)
– Unsecured bank loan	25.0	25.0
	(4.1)	23.4
Debt due after one year – Repayment of secured debt	(10.0)	(12.1)
(Decrease)/increase in debt	(14.1)	11.3

29 Analysis of Net Debt

	Movements during year				31 March 2001 £m
	1 April 2000 £m	Cash Flow £m	Acquisition (excl. cash and overdrafts) £m	Non-Cash £m	
Net bank balance/(overdraft)	(.7)	3.8			3.1
Liquid resources	140.1	(118.1)			22.0
Debt due within one year	(25.4)	4.1	(4.9)	(.2)	(26.4)
Debt due after one year	(1,530.2)	10.0	(207.9)	1.6	(1,726.5)
Net debt	(1,416.2)	(100.2)	(212.8)	1.4	(1,727.8)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

30 Financial Assets and Liabilities

This note should be read in conjunction with the comments set out in the Operating and Financial Review on page 35.

The group has defined financial assets and liabilities as those assets and liabilities of a financial nature, namely cash, investments and borrowings. Short term debtors/creditors, capital debtors/creditors, taxation and prepayments and accruals have been excluded.

All of the group's financial assets and liabilities are sterling based and, with the exception of the overdraft, at fixed rates.

	Book Value		Fair Value	
	2001 £m	2000 £m	2001 £m	2000 £m
The group's financial assets and liabilities and their fair values are:				
FINANCIAL ASSETS				
Short term investments and cash	31.8	140.1	31.8	140.1
FINANCIAL LIABILITIES				
Debentures, bonds, other loans and overdraft	(1,511.0)	(1,308.8)	(1,964.5)	(1,827.9)
Convertible bonds	(246.1)	(247.5)	(287.7)	(260.5)
FINANCIAL INSTRUMENTS				
Interest rate swaps	–	–	(12.2)	2.7

Fair value has been calculated by taking the market value, where available, and using a discounted cash flow approach for those financial assets and liabilities that do not have a published market value. The difference between book value and fair value will not result in any change to the cash outflows of the group unless, at some stage in the future, borrowings are purchased in the market other than at nominal value.

The group has entered into five interest rate swaps. Two swaps, each for £100m, had a start date of 30 September 2000 for 15 years. Two further swaps, each for £100m, have a start date of 30 June 2002 for 10 years. The counterparties can extend the duration of each of these swaps on similar terms. As the intention is to link these swaps to new borrowings, the value of the swaps have not been incorporated in the financial statements. Once they commence operating they are dealt with on an accruals basis. The remaining swap was taken out by Trillium to hedge the secured bank loan included in Note 21. This swap has a maximum life of 17 years and mirrors the repayment schedule for that bank loan. As part of the fair value accounting for the acquisition of Trillium, this swap was marked to market at a cost of **£14.9m**. The cost, which is included in the bank loan, is being amortised over the life of the swap as a credit to interest payable.

The maturity and repayment profiles of the group's financial assets and liabilities and the expiry periods of its undrawn committed borrowing facilities are:

	Financial Assets		Financial Liabilities		Borrowing Facilities	
	2001 £m	2000 £m	2001 £m	2000 £m	2001 £m	2000 £m
One year or less, or on demand	29.8	140.1	30.6	26.1	50.0	50.0
More than one year but no more than two years	2.0	–	1.4	.4	–	100.0
More than two years but no more than five years	–	–	62.3	48.6	–	25.0
More than five years	–	–	1,662.8	1,481.2	600.0	–
	31.8	140.1	1,757.1	1,556.3	650.0	175.0

Weighted average period of fixed interest rates	35 days	45 days	17.1 years	18.8 years
Weighted average interest rate	5.3%	5.8%	8.8%	9.0%

The amount of debt that is repayable by instalments, where any of the instalments fall due after more than five years, is not material. Since 31 March 2001, the group has cancelled committed bank facilities of £50m.

The repayment profile of the company's financial liabilities are:

	Company	
	2001 £m	2000 £m
Repayable in:		
One year or less, or on demand	.3	.3
More than one year but no more than two years	.3	.3
More than two years but no more than five years	38.1	48.4
More than five years	1,267.9	1,269.7
	1,306.6	1,318.7

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

31 Principal Group Undertakings

The principal group undertakings of Land Securities PLC are:

GROUP OPERATIONS

Land Securities Properties Limited

INVESTMENT PROPERTY BUSINESS

Ravenseft Properties Limited

The City of London Real Property Company Limited

Ravenside Investments Limited

Ravenseft Industrial Estates Limited

TOTAL PROPERTY SERVICES

Land Securities Trillium Limited

32 Membership of Certain Undertakings

During the year, the group has been a member of four limited partnerships, whose accounts are consolidated with those of the group. Advantage has been taken of the exemption conferred by Regulation 7 of The Partnerships and Unlimited Companies (Accounts) Regulations 1993 in not delivering the financial statements of the partnerships to the Registrar of Companies.

TEN YEAR RECORD

based on the Consolidated Financial Statements for the years ended 31 March

	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
ASSETS EMPLOYED										
Goodwill	41.9	–	–	–	–	–	–	–	–	–
Investment business properties	7,905.9	7,453.7	6,910.5	6,435.7	5,760.0	5,265.7	5,169.6	5,032.4	4,098.6	4,300.6
Properties held under outsourcing contract	323.1	–	–	–	–	–	–	–	–	–
Other tangible fixed assets	34.1	14.7	13.1	9.7	7.5	4.8	4.9	4.3	4.8	5.5
Short term deposits, corporate bonds and cash	29.3	140.1	486.6	547.4	486.7	335.2	209.6	241.5	234.2	307.2
Other assets	174.9	182.6	72.5	98.0	84.1	89.8	97.6	94.4	88.5	98.7
	8,509.2	7,791.1	7,482.7	7,090.8	6,338.3	5,695.5	5,481.7	5,372.6	4,426.1	4,712.0
FINANCED BY										
Share capital	523.6	522.4	554.3	541.1	515.5	510.2	510.0	509.8	504.8	504.6
Reserves	5,627.3	5,259.4	4,916.1	4,460.4	3,521.7	3,014.3	3,023.8	2,943.3	2,039.5	2,295.5
EQUITY SHAREHOLDERS' FUNDS	6,150.9	5,781.8	5,470.4	5,001.5	4,037.2	3,524.5	3,533.8	3,453.1	2,544.3	2,800.1
Borrowings	1,757.1	1,556.3	1,569.3	1,652.3	1,849.4	1,767.2	1,572.6	1,573.3	1,515.6	1,516.5
Other liabilities	601.2	453.0	443.0	437.0	451.7	403.8	375.3	346.2	366.2	395.4
	8,509.2	7,791.1	7,482.7	7,090.8	6,338.3	5,695.5	5,481.7	5,372.6	4,426.1	4,712.0
PROPERTY MOVEMENTS AND ACQUISITIONS (book value)										
Property additions	588.8	403.5	267.3	189.6	261.9	199.0	190.9	150.6	237.1	215.5
Property sales	(424.9)	(314.3)	(125.4)	(246.9)	(206.1)	(53.3)	(81.0)	(40.8)	(132.0)	(3.7)
Acquisitions	169.5	–	–	–	–	–	–	–	–	–
REVENUE										
Gross property income	647.2	528.2	500.2	484.0	471.0	462.2	460.4	448.9	436.9	406.7
Net property income	497.5	457.2	427.5	414.1	405.1	400.6	400.0	389.4	380.7	353.6
Revenue profit	308.9	301.7	292.7	265.9	235.7	238.7	241.3	234.8	233.4	227.5
Profit/(loss) on sales of properties	5.7	26.0	.6	.1	8.1	(1.1)	3.4	2.3	(4.3)	.6
Pre-tax profit	314.6	327.7	293.3	266.0	243.8	237.6	244.7	237.1	229.1	228.1
Profit attributable to shareholders	233.1	252.0	216.4	196.7	178.4	171.9	179.7	180.6	165.7	167.9
Retained profit for the year	63.0	86.3	51.2	45.1	39.3	39.3	52.2	58.4	50.4	58.1
CASH FLOWS										
Operating activities	465.6	432.2	409.9	399.5	366.8	389.0	374.6	375.9	373.8	363.6
Operating activities and investments less finance charges and taxation	284.1	246.5	229.1	168.2	194.7	183.4	196.2	184.7	175.4	215.2
Free cash flow (post dividend) for investing	120.0	79.7	73.5	25.7	60.5	54.6	72.6	67.7	64.1	112.6
Net cash (outflow)/inflow (excludes liquid resources and financing)	(95.4)	(114.9)	(61.9)	72.3	34.6	(69.9)	(32.4)	(76.8)	(73.0)	(100.0)
EARNINGS PER SHARE (pence)										
On profit after taxation	44.57	45.44	39.21	36.84	34.85	33.69	35.23	35.66	32.83	33.28
On results of property sales after taxation	(1.13)	(4.58)	(.10)	.23	(1.68)	.23	(.67)	(.46)	.85	(.66)
*ADJUSTED EARNINGS PER SHARE (pence)	43.44	40.86	39.11	37.07	33.17	33.92	34.56	35.20	33.68	32.62
DILUTED EARNINGS PER SHARE (pence)										
*ADJUSTED DILUTED EARNINGS PER SHARE (pence)	44.14	44.97	38.95	36.55	34.50	33.46	34.91	35.30	32.76	33.19
*ADJUSTED DILUTED EARNINGS PER SHARE (pence)	43.08	40.63	38.86	36.77	32.92	33.67	34.28	34.87	33.59	32.54
DIVIDENDS PER SHARE (pence)										
DIVIDENDS PER SHARE (pence)	32.50	31.00	29.50	28.00	27.00	26.00	25.00	24.00	22.85	21.75
DIVIDEND COVER (times)										
DIVIDEND COVER (times)	1.37	1.52	1.31	1.30	1.28	1.30	1.41	1.48	1.44	1.53
*ADJUSTED DIVIDEND COVER (times)	1.34	1.37	1.31	1.31	1.22	1.30	1.38	1.46	1.47	1.50
NET ASSETS PER SHARE (pence)										
NET ASSETS PER SHARE (pence)	1175	1107	987	924	783	691	693	677	504	555
DILUTED NET ASSETS PER SHARE (pence)	1154	1090	975	910	774	688	691	676	504	555
MARKET PRICE PER SHARE AT 31 MARCH (pence)										
MARKET PRICE PER SHARE AT 31 MARCH (pence)	880	749	820	1058	773	626	594	628	526	391

*These figures exclude the results of property sales after taxation and, in respect of 1997 and 2001, after deducting the cost of terminating interest rate swaps and bid costs respectively.

Properties, reserves and net assets per share reflect valuations of investment properties made by Knight Frank at each year end.

With the introduction of FRS3 effective for the year ended 31 March 1994, comparatives, where appropriate, have been restated. However, revenue profit, adjusted earnings and adjusted diluted earnings per share and an alternative dividend cover, which exclude the results of property sales and other exceptional items, are still disclosed.

At 31 March 2001 there were 323 properties within the portfolio. In the lists which follow, the valuation level for inclusion is £10m and certain of these properties have been combined for ease of description. Properties have been split into values of over £50m, £25m to £50m and £10m to £25m.

Office areas are approximate net areas and generally exclude basements, storage and car parking spaces.

Dates indicate initial construction or later refurbishment (R).

- 🏠 FREEHOLD†
 - 🏡 PART FREEHOLD, PART LEASEHOLD
 - ❄️ AIR CONDITIONED
 - 🚧 IN COURSE OF DEVELOPMENT OR REFURBISHMENT
 - 🛍️ SHOPPING CENTRE
- † Properties shown as freeholds include properties held on leases for 900 years or more.

MAJOR PROPERTY HOLDINGS

at 31 March 2001

City, Midtown, West End and Victoria properties:

£50M AND ABOVE

- EC1 MITRE HOUSE** ❄️
160 Aldersgate Street: 17,510m² offices, 20 flats and car park, 1990.
- EC2 30 GRESHAM STREET** 🚧 🏡
development site for 34,840m² offices and 3 retail units.
- DASHWOOD HOUSE** 🏠 ❄️
69 Old Broad Street: 10,550m² offices, 1975 and reinstatement after bomb damage, 1995.
- EC3 13/23 FENCHURCH STREET** 🏡 ❄️
15,620m² offices and major retail unit, 1968 and 1984 (R).
- 49 LEADENHALL STREET** 🏠 ❄️
12,230m² offices and leisure, 1975.
- EC4 1 NEW CHANGE** ❄️
32,650m² offices, 13 shops 1986/1990 (R).
- CANNON STREET HOUSE AND MARTIN HOUSE** 🏠 ❄️
8,100m² offices, 1996 (R).
- REGIS HOUSE** 🏠 ❄️
King William Street: 8,140m² offices, public house and 530m² retail, 1998.
- 50 LUDGATE HILL** 🏠 ❄️
11,040m² offices, 12 shops, 2 public houses and 4 restaurants, 1985 (R).
- FLEETBANK HOUSE** 🏠 ❄️
Salisbury Square: 11,370m² offices, 1974.
- 8 SALISBURY SQUARE** 🏠 ❄️
10,700m² offices, 1989.
- WC1 WARNER HOUSE** 🏠 ❄️
Theobald's Road: 11,820m² offices, 1999.
- LACON HOUSE** 🏠 ❄️
Theobald's Road: 19,580m² offices and restaurant/leisure, 1999.
- WC2 40 STRAND** 🏠 ❄️
8,570m² offices and 8 shops, 1997 (R).
- GRAND BUILDINGS** 🏠 ❄️
Trafalgar Square: 14,860m² offices and 3,220m² shops, 1991.
- W1 OXFORD HOUSE** 🏠 ❄️
70/88 Oxford Street: 5,680m² offices and 5 shops. Part 1994 (R).
- 475/497 OXFORD STREET AND PARK HOUSE**
Park Street: 6,980m² offices and 9 shops, 1963.
- 484/504 OXFORD STREET AND PORTMAN HOUSE** 🚧
9,430m² offices and 7 shops, 1957.
- LONDON HILTON ON PARK LANE** 🏠 ❄️
500 rooms, casino and numerous restaurants, 1963.
- DEVONSHIRE HOUSE** 🏠 ❄️
Piccadilly: 14,190m² offices and 9 showrooms and shops, 1983 (R), part 1994 (R) and part 1996/97 (R).
- PICCADILLY CIRCUS** 🏠
44/48 Regent Street, 1/17 Shaftesbury Avenue, Denman Street, Sherwood Street and Glasshouse Street: 2 major retail trading units, 10 shops, kiosk, public house, 3 restaurants, 1,460m² offices and 670m² of illuminated advertising, part 1977 (R), part 1979 (redevelopment) and part 1985 (R).
- W2 EASTBOURNE TERRACE** 🏠
16,780m² offices, 1957/58.
- SW1 BOWATER HOUSE** 🏠
Knightsbridge: 24,720m² offices, 1958.
- HAYMARKET HOUSE** 🏠
Haymarket: 7,520m² offices and 3,410m² of restaurants, 1955, part 1992 (R) and part 1997/98 (R). Part air conditioned.
- 10 BROADWAY** 🏠 ❄️
New Scotland Yard: 35,670m² offices, banking space and restaurant, 1966.
- THE HOME OFFICE** 🏠 ❄️
50 Queen Anne's Gate: 28,310m² offices, 1977.
- PORTLAND HOUSE** 🏠
Stag Place: 27,610m² offices and 1,510m² basement restaurant, 1959, part 1986/87 (R), part 1992/95 (R) and part 1996/99 (R). Part air conditioned.
- ELAND HOUSE** 🏠 ❄️
Stag Place: 23,170m² offices, 1995.
- KINGSGATE HOUSE** 🏠 ❄️
Victoria Street: 14,160m² offices and 18 shops, 1987 (R).
- ESSO HOUSE** 🏠 ❄️
Victoria Street: 20,060m² offices, 2 banks, 14 shops and restaurant, 1963 and part 1991 (R).
- SE1 THE IBM BUILDING** 🏠 ❄️
74-78 Upper Ground: 20,160m² offices, 1982.

£25M TO £50M

- EC2 MOORGATE HALL** ❄️
143/171 Moorgate: 6,090m² offices and 1,450m² store, 1990.
- EC3 KNOLLYS HOUSE** 🏠
1/12 Byward Street: 8,620m² offices, bank, post office and 9 shops, 1964, part 1984 (R), part 1988/1991 (R), part 1998/99 (R). Part air conditioned.
- 6/12 FENCHURCH STREET AND 1 PHILPOT LANE** 🏠 ❄️
4,780m² offices and shop, 1985.
- 109/114 FENCHURCH STREET** 🏠 ❄️
6,610m² offices and banking space and 2 shops, 1976, part 1991 (R) and part 1993/94/95 (R).
- GRACECHURCH HOUSE** 🏠 ❄️
55 Gracechurch Street: 5,790m² offices and 930m² health club, 1993.
- 37/39 AND 40 LIME STREET AND 4 FENCHURCH AVENUE** 🏡
9,380m² offices, 1971/72 (R) part 1988/1990 (R), part 1992/94 (R) and part 1998 (R).
- NEW LONDON HOUSE** 🏠 ❄️
6 London Street: 6,180m² offices, 2 shops, 2 restaurants and public house, 1993 (R).
- EC4 26 OLD BAILEY** 🏠 ❄️
6,030m² offices, 1984 (R).
- W1 6/17 TOTTENHAM COURT ROAD** 🏠
5,710m² retail and 210m² offices, 1999.
- 12/24 OXFORD STREET AND 2-5 TOTTENHAM COURT ROAD** 🏠
1 store 8,360m² and 3 shops 490m² pre-war, part 1995 (R) and part 1998.
- 455/473 OXFORD STREET**
4 shops and restaurant, 1963.
- SW1 49/75 BUCKINGHAM PALACE ROAD AND 29 BRESSENDEN PLACE** 🏠
5,150m² offices, 136 bedroom hotel, 30 flats and 7 shops, 1964, offices 1994 (R).
- WELLINGTON HOUSE** 🏠 ❄️
Buckingham Gate: 4,970m² offices, 1978.
- GLEN HOUSE** 🏠
Stag Place: 9,030m² offices and 16 shops, 1962, part 1983/84 and 1994 (R).
- SELBORNE HOUSE** 🏠 ❄️
Victoria Street: 10,360m² offices, 1966.
- WESTMINSTER CITY HALL** 🏠 ❄️
Victoria Street: 15,750m² office and bank, 1965.
- ALLINGTON HOUSE** 🏠 ❄️
50 Victoria Street: 3,600m² offices and 930m² retail, 1997.
- ST ALBANS HOUSE** ❄️
Haymarket: 4,270m² offices and 2 restaurants, 1963 and part 1987 and 2000 (R).

MAJOR PROPERTY HOLDINGS continued

at 31 March 2001

City, Midtown, West End and Victoria properties (continued)

£10M TO £25M

<p>EC2 VERITAS HOUSE 🏠 ✨ 119/125 Finsbury Pavement: 4,290m² offices, 1991.</p> <p>EC3 23/39 EASTCHEAP 1,730m² offices, 5 shops and restaurant, part 1986 (R) and part 1988 (R). Part air conditioned.</p> <p>14 FENCHURCH AVENUE 2,490m² offices, 1940s and part 1993 (R).</p> <p>34/36 LIME STREET AND 7/11 CULLUM STREET 🏠 ✨ 3,340m² offices and 6 shops, 1974.</p> <p>14/15 PHILPOT LANE 🏠 ✨ 3,010m² offices, 1986.</p> <p>1 SEETHING LANE 🏠 4,250m² offices and restaurant, 1977 (R) and part 1988 (R).</p> <p>TOWER HOUSE 🏠 ✨ 34/40 Trinity Square: 4,140m² offices, 1979 (R).</p> <p>12/16 GOUGH SQUARE 🏠 ✨ 2,540m² offices, 1992.</p> <p>LINTAS HOUSE New Fetter Lane: 8,180m² offices, 1958 and 1999 (R).</p>	<p>21 NEW FETTER LANE ✨ 6,220m² offices, 1978 (R), 1993 (R) and 1998 (R).</p> <p>2/4 TEMPLE AVENUE 🏠 ✨ 2,540m² offices and leisure unit, 1999 (R).</p> <p>WC1 TURNSTILE HOUSE 🏠 ✨ High Holborn: 192 room aparthotel, shop and 2 restaurants, 1997.</p> <p>WC2 7/8 ESSEX STREET 🏠 2,610m² offices, 1998 (R).</p> <p>W1 26/36 OXFORD STREET 🏠 Air conditioned bank, large shop, kiosk, restaurant and 1,050m² educational use, 1983 (R).</p> <p>25/28 OLD BURLINGTON STREET 2,720m² offices and 2 shops/showrooms, 1962 and part 1998 (R).</p> <p>7 SOHO SQUARE 🏠 4,450m² offices, 1995 (R).</p> <p>1/11 HAY HILL 🏠 1,670m² offices and 610m² retail/showroom, 1987 (R).</p> <p>MORLEY HOUSE 314/322 REGENT STREET 2,480m² offices and 840m² retail, 1920s and part 1998 (R).</p>	<p>SW1 ELLIOT HOUSE 🏠 Bressenden Place: 2,720m² offices and 710m² retail, 1964.</p> <p>16 PALACE STREET 🏠 5,240m² offices, 1960.</p> <p>ROEBUCK HOUSE 🏠 116 flats and fitness centre, 1960.</p> <p>1 WARWICK ROW 🏠 3,400m² offices, 1995 (R).</p> <p>NEVILLE HOUSE 🏠 Page Street, 4,780m² offices and a public house, 1952.</p> <p>CLIVE HOUSE 🏠 Petty France, 9,400m² offices, 1950.</p> <p>TOMEN HOUSE 🏠 ✨ Charles II Street, 1,440m² offices, 1988.</p> <p>SE1 ST CHRISTOPHER HOUSE 🏠 80/112 Southwark Street, 55,420m² offices, 8 shops, 1960.</p> <p>The aggregate area of offices and retail accommodation including developments and refurbishments owned in the City, Midtown, West End and Victoria, including the properties listed above, amounts to some 715,350m² (27m ft²) of offices and approximately 79,460m² (855,300m ft²) of retail and restaurants.</p>
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Towns and cities, outside central London

£50M AND ABOVE

<p>NOTTING HILL GATE W11 🏠 8,680m² offices, 52 shops, 2 stores and cinema 1958.</p> <p>ABERDEEN 🏠 🛒 Bon Accord Centre: 23,690m² 4 stores, 53 shops, food court, 4,650m² leisure, 2,690m² offices and car park, 1990.</p> <p>BIRMINGHAM 🏠 Caxtongate Phase I: 15 shops and 1,390m² offices, 1997.</p> <p>BIRMINGHAM 🏠 🛒 Martineau Place: 16,720m² retail, and 6,040m² offices. (one third interest).</p> <p>Bull Ring: 111,480m² retail (one third interest).</p> <p>Martineau Galleries: up to 120,770m² retail (one third interest).</p> <p>BRISTOL 3 stores, 61 shops, 1957/1962/2000/1 (Penn Street).</p>	<p>CARDIFF 🏠 🛒 St David's Centre 32,520m² 61 shops, 1981 and 1991 (R). St David's Link: 12 shops and library, 1986.</p> <p>EAST KILBRIDE 🏠 🛒 The Olympia 32,520m² 2 stores, 49 shops, ice rink, 9 screen cinema, library, restaurant, public house, night club, food court and 690m² offices, 1989.</p> <p>EXETER 3 stores, 67 shops and 2,580m² offices, residential and car park, 1952/1964 and 1971.</p> <p>IRVINE 🏠 🛒 Rivergate Centre: 34,840m² 1 superstore, 4 stores, 59 shops, public house, car park and 9,700m² offices, Phase I 1992 (R) and Phase II 1992.</p> <p>LEEDS 🏠 🛒 White Rose Shopping Centre 60,390m² 2 anchor stores, 11 major space units, 72 shops, restaurant and food court, 1997.</p>	<p>LIVERPOOL 🏠 🛒 St Johns Centre 33,440m² 4 stores, 100 shops, 2 public houses, retail market, food court, hotel, car park and Beacon, 1989 (R).</p> <p>LIVINGSTON 🏠 🛒 Almondvale Centre 48,310m² Phases I and II: 7 stores, 106 shops, public house, mall café and car parks, Phase I 1989 and 1996 (R), Phase II 1996.</p> <p>SUNDERLAND 🏠 🛒 The Bridges Phase I: 23,220m² 3 stores, 69 shops and mall café, 1969 and 1988 (R): Phase II 24,620m² 2 stores, 26 shops and car park, 2000.</p>
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Note: 'Shops' in this section denotes number of current tenancies, rather than number of units originally constructed. Stores, supermarkets, banks and combined units are each shown as one tenancy.

MAJOR PROPERTY HOLDINGS

at 31 March 2001

Towns and cities, outside central London:

£25M TO £50M

STRATFORD E15 🏠

Stratford Centre: 27,870m² 6 stores, 57 shops and 2,580m² of air conditioned offices, 1976 and 1998 (R).

BALLYMENA 🏠 🏠

Tower Centre 16,260m² 3 stores and 59 shops, 1981 and refurbished and extended 1999.

BASILDON 🏠

70 shops, 1958/60, part 1985 (R) and part 1988 (R).

BELFAST 🏠

9 shops, 1957, part 1984 and 1995.

BOOTLE 🏠

Strand Centre: 37,160m² Phases I and II: 3 stores, 130 shops, 2 public houses and 690m² offices, 1989 (R) and 1998.

CANTERBURY 🏠 🏠 🏠

Whitefriars: department store, 2 major stores, 37 shops, residential and car park.

COVENTRY 🏠

45 shops, public house, 1,250m² offices and hotel, 1955/1961 and 1991.

EALING 🏠 🏠

Broadway Centre (part) 3,390m² 11 shops and 2,020m² air conditioned offices, 1984.

EAST KILBRIDE 🏠 🏠

Princes Mall 13,940m² 2 stores, 39 shops, public house and 950m² offices, 1994 (R).

KEIGHLEY 🏠

Airedale Centre 23,230m² 77 shops, 5 kiosks, mall café and car park, 1988 (R).

LIVINGSTON 🏠

Designer Outlet Shopping and Leisure Centre, 18,910m² 95 shops, 7,880m² leisure and food court, 2000 (50% interest).

NEWTOWNARDS 🏠 🏠

Ards Centre 26,480m² 3 stores, 45 shops, cinema, 2 drive through restaurants and petrol filling station, 1976. Refurbished and extended 1995.

PLYMOUTH

1 store, 46 shops, 1952/1965.

PORTSMOUTH 🏠 🏠

Designer Outlet Shopping and Leisure Centre: 17,000m² 87 shops, 22,060m² leisure and restaurants, 2,230m² offices, 2001 (50% interest).

UXBRIDGE ONE 🏠 🌸

13,240m² offices and twin cinemas, 1990.

WALSALL 🏠 🏠

Saddlers Centre 17,190m² 2 stores, 41 shops, mall café, 4 kiosks and car park, 1980 and 1990 (R).

YORK 🏠 🏠

Coppergate Centre 14,860m² 3 stores, 18 shops, museum, 19 flats and car park, 1984.

£10M TO £25M

FULHAM SW6 🏠

Empress State Building, Lillie Road: 32,520m² 1962.

BATH

7 shops, 1961.

BIRMINGHAM 🏠

Caxtongate Phase II: 6 shops and residential, 2000.

CANTERBURY

Longmarket 4,650m² 16 shops, conservatory restaurant and museum, 1992.

CANTERBURY

Clocktower: 5 shops and 1,330m² offices, 1993.

CANTERBURY 🏠 🏠

Marlowe Arcade and Graylaw House: store, 14 shops and 710m² offices, 1985.

HULL

34 shops and public house 1952/56.

KILMARNOCK 🏠

Burns Centre: 3 Phases 17,000m² 3 stores, 36 shops, public house and 1,760m² offices, 1975/79 and 1991 (R).

LIVERPOOL 🏠

16 shops and 370m² offices, 1950s and 1999.

NOTTINGHAM 🏠

Alan House: 4 shops and 1,950m² offices, 1985 (R).

READING 🏠

Station Hill: 8,030m² offices and 13 shops, 1966. Hogg Robinson House: 3,720m² offices, 1979.

WALSALL 🏠

13 shops, 1970s and 1987.

YORK 🏠

14 shops, showrooms and offices and Ryedale House 7,060m², 1960s.

Retail warehouse and food superstore properties:

£50M AND ABOVE

GATESHEAD 🏠

Team Valley, Retail World Retail Park: 35,330m² 22 retail warehouses and fast food restaurant, 1987/2000. Being upgraded. Extension planned.

LIVERPOOL 🏠

Racecourse Retail Park, Aintree: 24,850m² 15 retail warehouses and fast food restaurant, 1986, 1988 and 1990. Reconfiguration planned.

MANCHESTER 🏠

White City Retail Park: 17,840m² 11 retail warehouses, 2 restaurants and ten pin bowl, 1990.

SLOUGH RETAIL PARK 🏠

Bath Road: 14,350m² 6 retail warehouses, 1989 and 1998.

WEST THURROCK 🏠

Lakeside Retail Park: 28,860m² 17 retail warehouses and fast food restaurant, 1988, 1989 and 1997. 4,320m² extension planned.

£25M TO £50M

BEXHILL-ON-SEA 🏠

Ravenside Retail and Leisure Park: 20,650m² 9 retail warehouses, food superstore, fast food restaurant, ten pin bowling alley and swimming pool, 1989. Extension planned.

DERBY 🏠

Wyvern Centre: 11,280m² 6 retail warehouses and fast food restaurant, 1990 and 1996.

DUNDEE 🏠

Kingsway Retail Park: 17,350m² 7 retail warehouses and fast food restaurant, 1985, 1987, 1988 and 1994. Major enlargement and reconfiguration planned.

ERDINGTON 🏠

Ravenside Retail Park, Kingsbury Road: 14,170m² 8 retail warehouses, 1987 and 1989. Extension planned.

LIVINGSTON 🏠

Almondvale West: 9,630m² 5 retail warehouses, 1987. Almondvale Retail Park 10,055m² 9 retail warehouses 1997, together with a development site of 6.5 hectares.

MAJOR PROPERTY HOLDINGS continued

at 31 March 2001

Retail warehouse and food superstore continued:

£10M TO £25M

BIRMINGHAM

Great Barr: 7,760m² hypermarket, 1998.

BLACKPOOL RETAIL PARK

11,270m² 9 retail warehouses, 1993, 1995 and 1996. Extension planned.

BOLTON

Manchester Road: 7,630m² 6 retail warehouses, 1985, 1989 and 1997.

BRISTOL

Longwell Green: 7,200m² 2 retail warehouses, 1985/86.

CHADWELL HEATH

(Near Romford): 8,520m² 4 retail warehouses, 1988 and 1999.

CHESTERFIELD

Ravenside Retail Park, Markham Road: 7,730m² 5 retail warehouses, 1982 and 1997. Extension planned.

DERBY

Meteor Centre: 17,330m² 11 retail warehouses fast food restaurant and public house, 1988 and 1994.

EDMONTON

Ravenside Retail Park: 12,040m² 4 retail warehouses and fast food restaurant, 1988.

GLOUCESTER RETAIL PARK

Eastern Avenue: 10,450m² 4 retail warehouses, 1989. Extension planned.

HATFIELD

Oldings Corner: 5,970m² 3 retail warehouses, 1988.

HIGH WYCOMBE

London Road: 4,370m² 2 retail warehouses, 1988.

HULL

Priory Way: 8,850m² food superstore and retail warehouse, 1984.

KEIGHLEY

Cavendish Street: 6,890m² food superstore, 1985 and 1999.

PLYMOUTH

Friary Centre, Exeter Street: 7,310m² 2 retail warehouses, 1990.

POOLE

Commerce Centre 6,580m² 1986 and 87.

STAINES

The Causeway: 3,800m² 2 retail warehouses, 1995.

STOCKTON-ON-TEES

13,390m² food superstore 1970 (R) and 4 retail warehouses 1986/87.

WAKEFIELD

Ings Road: 9,430m² food superstore and 2 retail warehouses, 1988, extended 1997/99.

Warehouse and industrial:

£25M TO £50M

HATFIELD

Welham Green: 31,310m² 1986 and extended 1988.

HESTON

(Near Heathrow) Heston Centre and Spitfire Trading Estate: 28,730m² 1977, 1982 and 1984.

SUNBURY CROSS

Hanworth Road (includes Interchange West): 29,360m² 1970 and 1976.

£10M TO £25M

BASILDON

Juniper: 24,430m² 3 warehouses and 1 office building, 6.3 acres for industrial development.

BLACKPOOL

Squires Gate Industrial Estate: 107,200m² 1940s.

CHANDLERS FORD

(Near Southampton) School Lane: 25,850m² 1985, 1988, 1989 and 2001.

FRIMLEY

(Near Camberley): 21,600m² on Albany Park, 1982/84.

HESTON

(Near Heathrow) The Harlequin Business Centre: 6,280m² two storey offices, 1989.

HUNTINGDON

13,630m² on Ermine Business Park, 1989 and 1990 and 6,740m² on Stukeley Meadows Industrial Estate, 1988.

TAMWORTH

Centurion Park: 24,420m² high bay warehousing 1996 and 1999.

WELWYN GARDEN CITY

Bridge Road: 17,070m² 1955, 1961 and 1976. 12,960m² warehouse planned with 1 hectare redevelopment site remaining.

WEST THURROCK

Motherwell Way: 29,070m² 1973, 1975 and 1979 and trailer park of 0.5 hectares.

Outside the City, West End and Victoria, the Group has holdings which total 548,130m² of retail space, 105,150m² of office space, 571,310m² of warehouse and industrial space and 459,260m² of out of town retail and food superstore space.

GLOSSARY OF TERMS

Adjusted figures

Reported amount adjusted to exclude the results of property sales and bid costs

Average unexpired lease term

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

Conversion factor

To convert from m² to ft², multiply by 10.764

CPO

Compulsory Purchase Order

Development surplus

Excess of latest valuation over the total development cost excluding finance costs

Diluted figures

Reported amount adjusted to include the effects of potential shares issuable under Convertible Bonds or Employee Share Schemes

Earnings per share

Profit after taxation divided by the weighted average number of shares in issue during the year

ERV

The estimated market rental value of lettable space as determined annually by the Company's valuers

Forward dated swap

An agreement to pay a fixed rate of interest for a period beginning at a future date

Gearing (net)

Total borrowings less short term deposits, corporate bonds and cash, as a percentage of equity shareholders' funds

Interest cover

Number of times interest payable is covered by operating profit and interest receivable

Net assets per share

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

Open A1 planning permission

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

Over-rented

Space that is let at a rent above its ERV

Passing rent

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

PFI

Private Finance Initiative under which a public sector (or in the case of Corporate PFI the private sector) passes the risks and responsibilities associated with the ownership or leasing of property to a third party

Pre-let

A lease signed with a tenant prior to completion of a development

Rental value growth

Increase in the ERV, as determined by the Company's valuers, over the 12 month period on a like for like basis

Retail park

A scheme of 3 or more retail warehouse units aggregating over 4,650m² with shared parking

Return on shareholders' equity

Increase in diluted net asset value per share together with dividends for the year expressed as a percentage of diluted net asset value per share at the beginning of the year

Reversionary or under-rented

Space where the passing rent is below the ERV

Total development cost

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

Total investment property return

Valuation surplus, profit or loss on property sales and net rental income expressed as a percentage of opening book value of investment property portfolio

Unitary charge

A payment under a PFI or property partnership covering the costs of using a property or facility

Weighted average cost of capital (WACC)

Market cost of debt and cost of equity capital (equity capital cost calculated assuming equity risk premium of 4% and using London Business School beta factor, average for last year 0.48%) applied to fair value of debt and equity market capitalisation and then suitably weighted (quoted pre-tax)

INVESTOR INFORMATION

INVESTOR RELATIONS

Either e-mail to investor.relations@landsecurities.com or write to Investor Relations, Land Securities PLC, 5 Strand, London WC2N 5AF

Enquiries concerning holdings of ordinary shares, debentures or loan stocks in Land Securities PLC should be addressed to: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 0870 600 3972.

Holder of the Company's ordinary shares, debentures and loan stocks should notify the Registrar promptly of any change of their address.

LOW COST SHARE DEALING FACILITY

The Company operates a postal share dealing facility with Cazenove & Co. Ltd. which provides shareholders with a simple, low cost way of buying and selling Land Securities PLC ordinary shares. For further information, or dealing forms, contact: Cazenove & Co, 12 Tokenhouse Yard, London EC2R 7AN. Telephone: 020 7606 1768.

PERSONAL EQUITY PLANS (PEPs)

The Company's General and Single Company PEPs, which were previously managed by Bradford and Bingley (PEPs) Limited, were transferred to the Share Centre on 6 April 1999. With effect from that date, no new PEPs may be opened, although existing PEPs can continue for at least the next five years. For further information, contact The Share Centre, PO Box 2000, Aylesbury, Bucks HP21 82B. Telephone: 01296 414141.

DIVIDEND REINVESTMENT PLAN (DRIP)

The Company has introduced a DRIP to enable shareholders to use cash dividends to purchase Land Securities shares in the market. For further details, please contact The Share Dividend Team, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 01903 502541.

CORPORATE INDIVIDUAL SAVINGS ACCOUNT (ISA)

The Company has arranged for a Corporate ISA to be managed by Lloyds TSB Registrars, who can be contacted at The Causeway, Worthing, West Sussex BN99 6UY. Telephone: 0870 24 24 244.

CAPITAL GAINS TAX

For the purpose of capital gains tax, the price of the Company's ordinary shares at 31 March 1982, adjusted for the capitalisation issue in November 1983, was 205p.

SHARE PRICE INFORMATION

The latest information on the Land Securities PLC share price is available on the Financial Times Cityline Service. Telephone: 0906 0033133 (calls charged at 60p per minute).

Analyses of Equity Shareholdings

at 31 March 2001

	Shareholders		Shareholdings	
	No.	%	No.	%
BY SHAREHOLDER				
INDIVIDUALS	23,271	62.74	27,582,962	5.27
NOMINEE COMPANIES	11,513	31.04	366,917,460	70.07
BANKS	78	0.21	1,441,776	0.28
INSURANCE COMPANIES	31	0.08	71,257,772	13.61
PENSION FUNDS	19	0.05	42,438,960	8.10
OTHER LIMITED COMPANIES	1,330	3.58	7,293,387	1.39
OTHER CORPORATE BODIES	852	2.30	6,724,207	1.28
	37,094	100.00	523,656,524	100.00

	Shareholders		Shareholdings	
	No.	%	No.	%
BY SIZE OF HOLDING				
UP TO 500	12,596	33.96	3,716,638	0.71
501 TO 1,000	10,625	28.64	8,092,020	1.55
1,001 TO 5,000	11,489	30.97	23,255,453	4.44
5,001 TO 10,000	920	2.48	6,534,346	1.25
10,001 TO 50,000	822	2.22	17,995,194	3.44
50,001 TO 100,000	180	0.49	13,305,439	2.54
100,001 TO 500,000	302	0.81	66,840,950	12.76
500,001 TO 1,000,000	67	0.18	48,715,301	9.30
1,000,001 and above	93	0.25	335,201,183	64.01
	37,094	100.00	523,656,524	100.00

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