Annual results for the year ended 31 March 2014

Thursday 15 May 2014

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Forward-looking statements

These Annual Results, our Annual Report and the Land Securities website may contain certain “forward-looking statements” with respect to the Land Securities Group PLC and the Group’s financial condition, results of its operations and business, and certain of Land Securities Group PLC’s and the Group’s plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which Land Securities Group operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “anticipates”, “aims”, “due”, “could”, “may”, “should”, “will”, “would”, “expects”, “believes”, “intends”, “plans”, “targets”, “goal” or “estimates” or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group’s ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates.

Any written or verbal forward-looking statements, made in these Annual Results, our Annual Report, or the Land Securities website or made subsequently, which are attributable to Land Securities Group PLC or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, Land Securities Group PLC does not intend to update any forward-looking statements.

Annual results for the year ended 31 March 2014

“Land Securities is reaping the reward of its bold strategy to develop early and speculatively in central London. Our buildings are coming to the London market in the right locations, when competition is low and occupiers are actively planning to move. This strategy, together with a resurgent London market, has led to significant valuation gains, while our near fully-let retail portfolio has delivered strong cash flow and increased revenue profit.

“20 Fenchurch Street, one of our most financially successful developments yet, has so far delivered a valuation surplus of £137.2m. The combination of location, timing, form and function mean the building is now 87% let with an average lease length of 17 years. The solar glare issue last summer illustrates the risk associated with development but we now have planning permission for an external solution which we will commence fitting this month. Further west, at the emerging Crossrail/Thameslink hub, since the year end we have pre-let the entirety of 2 New Ludgate to Mizuho Group on a 20 year lease.

“Our balance sheet discipline is also making the business stronger. Development expenditure and acquisitions have been funded by recycling capital from sales. As a result, the increase in valuation of our portfolio coupled with more recent sales has reduced our loan-to-value ratio further, to 32.5%.

“In London, our building programme will continue apace as we seek to maximise the benefits from favourable market conditions, though any additional commitments in the near term will require pre-lets. We expect to see a shortage of Grade A space until at least late 2016. The market balance beyond that will depend on the general development response to improving market conditions.

“In retail, economic growth has returned and we are now seeing a real rise in wages which is welcome news for retailers, but rental growth will be limited to the best locations. Our strategy is to ensure we have the right properties in the right locations and to anticipate and accommodate retail trends. Unless we see buying opportunities that satisfy these requirements, our focus will remain on developing retail assets which fit this strategy and selling assets that do not.

“Overall, market conditions for property are positive and Land Securities is well positioned. Our strategy is clear, our people focused, our activity relentless and our business stronger. I am confident of continued good performance.” said Land Securities’ Chief Executive Robert Noel.

Results summary

	31 March 2014	31 March 2013	Change
Valuation surplus (1)	£763.8m	£217.5m	Up 7.1%
Basic NAV per share	1,069p	959p	Up 11.5%
Adjusted diluted NAV per share (2)	1,013p	903p	Up 12.2%
Group LTV ratio (1)	32.5%	36.9%	
Profit before tax	£1,108.9m	£533.0m	
Revenue profit (1)	£319.6m	£290.7m	Up 9.9%
Basic EPS	142.3p	68.4p	
Adjusted diluted EPS	40.5p	36.8p	Up 10.1%
Dividend	30.7p	29.8p	Up 3.0%

1. Including our proportionate share of subsidiaries and joint ventures. The % change for the valuation surplus represents the valuation movement as a percentage of the market value of the combined portfolio at the beginning of the year.
2. Our key valuation measure.

A year of action….

- £26.6m of development lettings
- £23.6m of investment lettings
- Sales[1] of £920.4m
- Acquisitions of £209.9m including X-Leisure
- Development and refurbishment expenditure[1] of £366.6m
- Further developments committed with total development costs of £551.0m

....delivering results

- Ungeared total property return 12.8%, underperforming the IPD Quarterly Universe at 13.6%
- Total business return (dividends and adjusted diluted NAV growth) of 15.5%
- Combined portfolio valued at £11.86bn, with a valuation surplus of 7.1%
- Valuation surplus on properties in the development programme of 22.3%
- Revenue profit £319.6m, up 9.9%
- Profit before tax £1,108.9m, up from £533.0m
- Voids in the like-for-like portfolio up from 2.0% to 2.1%

Strong financial structure

- Group LTV ratio at 32.5%, based on adjusted net debt of £3.9bn
- Weighted average maturity of debt at 9.3 years
- Weighted average cost of debt at 5.0%
- Cash and available facilities of £1.1bn
- Recommended increase in final dividend to 7.9p (from 7.6p)

1. Includes trading properties.

Chief Executive’s statement

Our highlights

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

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

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

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

Meeting strong demand in London

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

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

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

Navigating a changing retail market

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

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

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

A sustainable business

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

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

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

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

New management structure

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

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

Outlook

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

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

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

We enter a new year with confidence.

Robert Noel
Chief Executive

Financial review

Overview and headline results

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

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

Presentation of financial information

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

Revenue profit

Revenue profit is our measure of the underlying pre-tax profit of the Group, which we use internally to assess our income performance. It includes the pre-tax results of our subsidiaries and joint ventures on a proportionate basis, but excludes capital and other one-off items. This year we have shown revenue profit on the face of the income statement alongside the IFRS requirement and provided a more detailed reconciliation of revenue profit to our IFRS profit before tax in note 2 to the financial statements.

Table 1 shows the composition of our revenue profit including the contributions from London and Retail.

Table 1: Revenue profit

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

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

Revenue profit increased by £28.9m from £290.7m last year to £319.6m in the year ended 31 March 2014. The 9.9% increase was mainly due to higher net rental income, which was up £46.3m, partly offset by higher indirect costs and net interest charges. The increase in net rental income is largely due to the full year impact of the acquisition of a controlling interest in X-Leisure in the prior year and the opening in March 2013 of our developments at Trinity Leeds and 185-221 Buchanan Street, Glasgow. Further information on the net rental income performance of the London and Retail portfolios is given in the respective business reviews.

The indirect costs of London and Retail and net unallocated expenses need to be considered together as, collectively, they represent the net indirect expenses of the Group including joint ventures. In total, net indirect expenses were £83.7m compared with £76.8m last year. The £6.9m increase in these costs is primarily due to higher pre-development spend on assets we do not yet own and increased share based payment costs. Further information on our total costs is given in table 13.

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

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

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

Valuation surplus and disposal profits

The movement in the values of our investment properties and any profits or losses on disposals are key components of our pre-tax profit. Over the year, the valuation surplus on our combined portfolio was £763.8m, or 7.1%. We made a profit on the disposal of investment properties and joint ventures of £18.1m, compared with a loss of £3.1m last year. A breakdown of the valuation surplus by category is shown in table 2 below.

Table 2: Valuation analysis

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

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

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

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

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

Earnings per share

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

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

Total dividend

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

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

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

Net assets

At 31 March 2014, our net assets per share were 1,069p, an increase of 110p or 11.5% from 31 March 2013. The increase in our net assets was primarily driven by the increase in value of our investment properties, profits on disposal of investment properties and our adjusted earnings, partly offset by the dividends we paid.

In common with other property companies, we calculate an adjusted measure of net assets which we believe better reflects the underlying net assets attributable to shareholders. Our adjusted net assets are lower than our reported net assets primarily due to an adjustment to increase our debt to its nominal value. At 31 March 2014, adjusted diluted net assets per share were 1,013p per share, an increase of 110p or 12.2% from 31 March 2013.

Table 3 summarises the main differences between net assets and our adjusted measure of net assets together with the key movements in the year.

Table 3: Net assets

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

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

Net debt and gearing

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

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

Adjusted net debt, which is presented on a proportionate basis and includes the nominal value of our debt but excludes the mark-to-market on our swaps, was down £341.9m to £3,948.3m (31 March 2013: £4,290.2m).

A reconciliation between net debt and adjusted net debt is given in note 13 to the financial statements.

Table 4 below sets out various measures of our gearing.

Table 4: Gearing

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

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

With an increase in our asset values and lower debt compared with last year, our gearing measures have all declined. The measure most widely used in our industry is loan-to-value (LTV). We focus most on Group LTV, presented on a proportionate basis. This LTV measure decreased from 36.9% at 31 March 2013 to 32.5% at 31 March 2014. Our strategy at this stage in the property cycle of allowing gearing to decline as property values rise remains unchanged.

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

Financing

The total capital of the Group consists of shareholders' equity and adjusted net debt. Since IFRS requires us to state a large part of our net debt at below its nominal value, we view our capital structure on a basis which adjusts for this. Details of our main sources of capital are given in notes 13 and 14 to the financial statements.

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

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

American Depositary Receipt (ADR) programme

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

Environmental reporting

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

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

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

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

Taxation

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

Martin Greenslade
Chief Financial Officer

Retail Portfolio review

Progress on our objectives

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

Highlights

- Valuation surplus of 2.2%
- Ungeared total property return of 8.5%
- The portfolio outperformed its IPD Quarterly Universe sector benchmark at 8.0%
- £18.3m investment lettings
- £2.3m development lettings
- Like-for-like voids were 2.6% (2013: 2.9%)
- Units in administration were 0.8% (2013: 2.4%)

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

Buy

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

Develop

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

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

Manage

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

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

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

Sell

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

Net rental income

Table 5: Net rental income

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

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

Outlook

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

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

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

London Portfolio review

Progress on our objectives

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

Highlights

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

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

Buy

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

Develop

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

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

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

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

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

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

Manage

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

Sell

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

Net rental income

Table 6: Net rental income

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

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

Outlook

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

Our principal risks and how we manage them

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

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

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

Risks in the context of our strategic goal and objectives

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

1 Deliver sustainable long-term shareholder returns

2 Maximise the returns from the investment portfolio

3 Manage our balance sheet effectively

4 Maximise development performance

5 Ensure high levels of customer satisfaction

6 Attract, develop, retain and motivate high performance individuals

7 Continually improve sustainability performance

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

Change from last year

△ **Increased**

◇ **No change**

▽ **Reduced**

Maximise the returns from the investment portfolio

Risk description	Impact	Mitigation	Change from 2012/13
Customers • Concerns over the economic recovery. • Pressure on consumer spending.	• Shift in consumer demand with consequent impact on new lettings, renewal of existing leases and rental growth. • Retailers unable to meet existing rental commitments.	• Large and diversified customer base (no single customer represents more than 4.8% of rents); • Of our income 71.4% is derived from customers who make less than a 1% contribution to rent roll; • Consistent demand for the best retail properties in terms of experience and/or convenience; • Active development programme to maintain a modern office portfolio well suited to customer requirements; • Experienced asset management team; • Strong relationships with customers.	
Market cyclicality • Volatility and speed of change of asset valuations and market conditions.	• Reduces liquidity and relative property performance.	• Large multi-asset portfolio; • Monitor asset concentration (our largest asset is only 5.9% of the total portfolio); • Average investment property lot size of £74.1m; • Generally favour full control and ownership of assets (13.5% of assets currently in joint ventures); • Average unexpired lease term of 9.0 years (with a maximum of 11.0% of gross rental income expiring or subject to break clauses in any single year).	

Risk description	Impact	Mitigation	Change from 2012/13
Acquisitions • Inability to acquire new assets to replace properties that have been sold.	• Reduction in revenue profits.	• Experienced investment team; • Flexibility to invest in either of the two largest sectors in the UK property market; • Ability to control level of property sales.	There continues to be a lack of attractively priced assets in both the London and Retail sectors.

Manage our balance sheet effectively

Risk description	Impact	Mitigation	Change from 2012/13
Liability structure • Lack of availability of bank funding.	• Increased cost of borrowing. • Limits ability to meet existing debt maturities and fund forward cash requirements.	• £1.1bn revolving credit facility in place, which matures in 2016 and a total of £985m of bilateral facilities which mature between June 2014 and September 2018; • Access to different sources of finance with most of our funding on a long-term basis and with a spread of maturity dates. The weighted average life of our debt at 31 March 2014 is 9.3 years; • Modest gearing (Security Group LTV at 31 March 2014 of 35.5%).	The cost and availability of medium and long term facilities has continued to improve.
• Liability structure is unable to adapt to changing asset strategy or property value.	• Too much bond debt; not enough drawn bank debt. • Insufficient term on the flexible debt (in the revolver). • Bank debt not drawable due to high LTV	• The Group's Asset and Liability Committee meets three times a year to monitor both sides of the balance sheet and recommend strategy to the Board; • Continuous review of level of drawn bank debt to ensure flexibility maintained; • Our principal debt funding structure benefits from financial default only being triggered at 1 times Security Group ICR (currently 4.5 times) or 100% Security Group LTV (currently 35.5%); • Aim to align length of bank facilities with our view on property cycle; • The existing revolving credit facility provides flexibility as it allows debt to be drawn in certain circumstances even when the Security Group LTV exceeds 65%.	

Maximise development performance

Risk description	Impact	Mitigation	Change from 2012/13
Development • Occupiers reluctant to enter into commitments to take new space in our developments.	• Negative valuation movements. • Reduction in income.	• Amount of speculative development restricted so that the impact of failing to lease the un-let element of our development programme does not exceed the Group's retained earnings; • Proportion of capital employed in development programme (based on total costs to completion) will not exceed 20% of our total capital employed, save that where a material part of the development programme is pre-let, this proportion can rise to 25%; • Monitor market cycle and likely customer demand before committing to new developments and secure pre-lets where appropriate; • Assessment of developments against hurdle rates.	Customer appetite to take on new space has improved, particularly within the London office sector. It is still variable within the retail sector. Refer to the table on our development programme on table 9.

Attract, develop, retain and motivate high performance individuals

Risk description	Impact	Mitigation	Change from 2012/13
People • Inability to attract, retain and develop the right people.	• Lack the skills necessary to deliver the business objectives.	• Competitive remuneration plans; • Appropriate mix of insourcing and outsourcing; • Clear employee objectives and development plans; • Annual employee engagement survey to identify issues early; • Succession planning and talent management; • High profile, cutting edge developments and assets to manage.	Due to the high regard held within the sector of our development people, they are increasingly being targeted by our competitors.

Continually improve sustainability performance

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

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The Annual Report 2014 contains the following statements regarding responsibility for the financial statements and business reviews included therein.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company to enable them to ensure that the Annual Report complies with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement under the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed below, confirm that:

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

Directors' responsibility statement under the UK Corporate Governance Code

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

A copy of the financial statements of the Group will be placed on the Company's website. The Directors are responsible for the maintenance and integrity of statutory and audited information on the Company's website at www.landsecurities.com. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Land Securities Group PLC as at the date of this announcement are as set out below:
Dame Alison Carnwath, Chairman*
Robert Noel, Chief Executive
Martin Greenslade, Chief Financial Officer
Kevin O'Byrne, Senior Independent Director*
David Rough*
Chris Bartram*
Simon Palley*
Stacey Rauch*
Edward Bonham Carter*
Cressida Hogg CBE*

*Non-executive Directors

By order of the Board
Adrian de Souza
Group General Counsel and Company Secretary
14 May 2014

Financial Statements

Income statement	Notes	Year ended 31 March 2014 Revenue profit £m	Capital and other items £m	Total £m	Year ended 31 March 2013 Revenue profit £m	Capital and other items £m	Total £m
Revenue	3	**693.4**	**23.1**	**716.5**	625.5	111.1	736.6
Costs	4	**(240.5)**	**(12.8)**	**(253.3)**	(220.0)	(70.7)	(290.7)
		452.9	**10.3**	**463.2**	405.5	40.4	445.9
Profit/(loss) on disposal of investment properties		**-**	**15.6**	**15.6**	-	(3.1)	(3.1)
Profit on disposal of investments in joint ventures		**-**	**2.5**	**2.5**	-	-	-
Net surplus on revaluation of investment properties	10	**-**	**606.6**	**606.6**	-	196.7	196.7
Release of impairment of trading properties	12	**-**	**5.3**	**5.3**	-	7.1	7.1
Profit on disposal of other investments		**-**	**-**	**-**	-	1.6	1.6
Operating profit		**452.9**	**640.3**	**1,093.2**	405.5	242.7	648.2
Interest income	5	**25.2**	**12.5**	**37.7**	24.7	-	24.7
Interest expense	5	**(193.2)**	**(23.7)**	**(216.9)**	(173.9)	(21.5)	(195.4)
Revaluation of redemption liabilities		**-**	**(5.6)**	**(5.6)**	-	(4.5)	(4.5)
Net gain on business combination		**-**	**5.0**	**5.0**	-	1.4	1.4
Share of post-tax profit from joint ventures	11	**34.7**	**160.8**	**195.5**	34.4	24.2	58.6
Profit before tax		**319.6**	**789.3**	**1,108.9**	290.7	242.3	533.0
Taxation		**-**	**7.7**	**7.7**	-	-	-
Profit for the financial year attributable to owners of the parent		**319.6**	**797.0**	**1,116.6**	290.7	242.3	533.0

	Notes	Year ended 31 March 2014	Year ended 31 March 2013
Earnings per share attributable to owners of the parent (pence):			
Basic earnings per share	7	**142.3**	68.4
Diluted earnings per share	7	**141.8**	68.1

Statement of comprehensive income	Notes	Year ended 31 March 2014 Total £m	Year ended 31 March 2013 Total £m
Profit for the financial year attributable to owners of the parent		**1,116.6**	533.0
Items that may be subsequently reclassified to the income statement:			
Share of joint ventures' fair value movements on interest-rate swaps treated as cash flow hedges	11	**3.5**	(0.9)
Revaluation of other investments		**-**	2.3
Recycling of revaluation of other investments to the income statement		-	(2.3)
Items that will not be subsequently reclassified to the income statement:			
Re-measurement (losses)/gains on defined benefit pension scheme		**(7.8)**	3.9
Other comprehensive (expense)/income for the financial year		**(4.3)**	3.0
Total comprehensive income for the financial year attributable to owners of the parent		**1,112.3**	536.0

Balance sheets at 31 March 2014

		Group		Company	
		2014	2013	2014	2013
	Notes	£m	£m	£m	£m
Non-current assets					
Investment properties	10	**9,847.7**	9,651.9	**-**	-
Other property, plant and equipment		**7.3**	8.3	**-**	-
Net investment in finance leases		**186.9**	188.0	**-**	-
Loan investments		**50.0**	50.0	**-**	-
Investments in joint ventures	11	**1,443.3**	1,301.0	**-**	-
Investments in subsidiary undertakings		**-**	-	**6,186.2**	6,180.7
Trade and other receivables		**34.3**	10.6	**-**	-
Derivative financial instruments		**5.3**	-	**-**	-
Pension surplus		**2.3**	5.9	**-**	-
Total non-current assets		**11,577.1**	11,215.7	**6,186.2**	6,180.7
Current assets					
Trading properties and long-term development contracts	12	**192.9**	152.8	**-**	-
Trade and other receivables		**366.3**	344.8	**14.2**	21.8
Monies held in restricted accounts and deposits	15	**14.5**	30.9	**-**	-
Cash and cash equivalents	16	**20.9**	41.7	**0.1**	0.1
Total current assets		**594.6**	570.2	**14.3**	21.9
Total assets		**12,171.7**	11,785.9	**6,200.5**	6,202.6
Current liabilities					
Borrowings	14	**(513.2)**	(436.2)	**-**	-
Trade and other payables		**(319.5)**	(364.3)	**(823.7)**	(609.3)
Provisions		**(3.6)**	(7.0)	**-**	-
Derivative financial instruments		**(5.5)**	(9.1)	**-**	-
Current tax liabilities		**(2.9)**	(21.2)	**-**	-
Total current liabilities		**(844.7)**	(837.8)	**(823.7)**	(609.3)
Non-current liabilities					
Borrowings	14	**(2,849.0)**	(3,315.2)	**-**	-
Derivative financial instruments		**(3.5)**	(10.7)	**-**	-
Trade and other payables		**(23.6)**	(17.4)	**-**	-
Redemption liabilities		**(32.6)**	(118.1)	**-**	-
Total non-current liabilities		**(2,908.7)**	(3,461.4)	**-**	-
Total liabilities		**(3,753.4)**	(4,299.2)	**(823.7)**	(609.3)
Net assets		**8,418.3**	7,486.7	**5,376.8**	5,593.3
Equity					
Capital and reserves attributable to the owners of the Parent					
Ordinary shares		**79.9**	79.2	**79.9**	79.2
Share premium		**788.3**	787.6	**788.3**	787.6
Capital redemption reserve		**30.5**	30.5	**30.5**	30.5
Merger reserve		**-**	-	**373.6**	373.6
Share-based payments		**6.3**	6.8	**6.3**	6.8
Retained earnings		**7,522.5**	6,590.3	**4,098.2**	4,315.6
Own shares		**(9.2)**	(7.7)	**-**	-
Total equity		**8,418.3**	7,486.7	**5,376.8**	5,593.3

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

R M Noel **M F Greenslade**

Directors

Statement of changes in equity — Group

	Attributable to owners of the Parent								
	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Share-based payments £m	Retained earnings £m	Own shares £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 April 2012	78.5	786.2	30.5	6.8	6,271.2	(17.8)	7,155.4	0.2	7,155.6
Profit for the year ended 31 March 2013	-	-	-	-	533.0	-	533.0	-	533.0
Other comprehensive income:									
Re-measurement gain on pension scheme	-	-	-	-	3.9	-	3.9	-	3.9
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	-	-	-	-	(0.9)	-	(0.9)	-	(0.9)
Revaluation of other investments	-	-	-	-	2.3	-	2.3	-	2.3
Recycling of revaluation of other investments to the income statement	-	-	-	-	(2.3)	-	(2.3)	-	(2.3)
Total comprehensive income for the year ended 31 March 2013	-	-	-	-	536.0	-	536.0	-	536.0
Transactions with owners:									
Exercise of options	0.1	1.4	-	-	-	-	1.5	-	1.5
Dividends to owners of the Parent	0.6	-			(178.1)		(177.5)		(177.5)
Fair value of share-based payments	-	-	-	2.9	-	-	2.9	-	2.9
Release on exercise of share options	-	-	-	(2.9)	2.9	-	-	-	-
Transfer to redemption liabilities	-	-	-	-	-	-	-	(0.2)	(0.2)
Settlement and transfer of shares to employees on exercise of share options, net of proceeds	-	-	-	-	(7.3)	10.6	3.3	-	3.3
Acquisition of own shares and treasury shares	-	-	-	-	(34.4)	(0.5)	(34.9)	-	(34.9)
Total transactions with owners of the Parent	0.7	1.4	-	-	(216.9)	10.1	(204.7)	(0.2)	(204.9)
At 31 March 2013	79.2	787.6	30.5	6.8	6,590.3	(7.7)	7,486.7	-	7,486.7
At 1 April 2013	**79.2**	**787.6**	**30.5**	**6.8**	**6,590.3**	**(7.7)**	**7,486.7**	**-**	**7,486.7**
Profit for the year ended 31 March 2014	**-**	**-**	**-**	**-**	**1,116.6**	**-**	**1,116.6**	**-**	**1,116.6**
Other comprehensive income:									
Re-measurement losses on pension scheme	**-**	**-**	**-**	**-**	**(7.8)**	**-**	**(7.8)**	**-**	**(7.8)**
Share of joint ventures' fair value movement on interest-rate swaps treated as cash flow hedges	**-**	**-**	**-**	**-**	**3.5**	**-**	**3.5**	**-**	**3.5**
Total comprehensive income for the year ended 31 March 2014	**-**	**-**	**-**	**-**	**1,112.3**	**-**	**1,112.3**	**-**	**1,112.3**
Transactions with owners:									
Exercise of options	**-**	**1.4**	**-**	**-**	**-**	**-**	**1.4**	**-**	**1.4**
Dividends to owners of the Parent	**0.7**	**(0.7)**	**-**	**-**	**(175.4)**	**-**	**(175.4)**	**-**	**(175.4)**
Fair value of share-based payments	**-**	**-**	**-**	**5.5**	**-**	**-**	**5.5**	**-**	**5.5**
Release on exercise of share options	**-**	**-**	**-**	**(6.0)**	**6.0**	**-**	**-**	**-**	**-**
Settlement and transfer of shares to employees on exercise of share options, net of proceeds	**-**	**-**	**-**	**-**	**(10.3)**	**14.8**	**4.5**	**-**	**4.5**
Acquisition of own shares and treasury shares	**-**	**-**	**-**	**-**	**(0.4)**	**(16.3)**	**(16.7)**	**-**	**(16.7)**
Total transactions with owners of the Parent	**0.7**	**0.7**	**-**	**(0.5)**	**(180.1)**	**(1.5)**	**(180.7)**	**-**	**(180.7)**
At 31 March 2014	**79.9**	**788.3**	**30.5**	**6.3**	**7,522.5**	**(9.2)**	**8,418.3**	**-**	**8,418.3**

Statement of changes in equity — Company

	Ordinary shares £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments £m	Retained earnings £m	Total £m
At 1 April 2012	78.5	786.2	30.5	373.6	6.8	4,226.7	5,502.3
Profit for the year ended 31 March 2013	-	-	-	-	-	298.5	298.5
Exercise of options	0.1	1.4	-	-	-	-	1.5
Dividends paid to owners	0.6	-	-	-	-	(178.1)	(177.5)
Fair value of share-based payments	-	-	-	-	2.9	-	2.9
Purchase of treasury shares	-	-	-	-	-	(34.4)	(34.4)
Release on exercise of share options	-	-	-	-	(2.9)	2.9	-
At 31 March 2013	79.2	787.6	30.5	373.6	6.8	4,315.6	5,593.3
Loss for the year ended 31 March 2014	**-**	**-**	**-**	**-**	**-**	**(47.7)**	**(47.7)**
Exercise of options	**-**	**1.4**	**-**	**-**	**-**	**-**	**1.4**
Dividends paid to owners	**0.7**	**(0.7)**	**-**	**-**	**-**	**(175.4)**	**(175.4)**
Fair value of share-based payments	**-**	**-**	**-**	**-**	**5.5**	**-**	**5.5**
Purchase of treasury shares	**-**	**-**	**-**	**-**	**-**	**(0.3)**	**(0.3)**
Release on exercise/forfeiture of share options	**-**	**-**	**-**	**-**	**(6.0)**	**6.0**	**-**
At 31 March 2014	**79.9**	**788.3**	**30.5**	**373.6**	**6.3**	**4,098.2**	**5,376.8**

Statement of cash flows for the year ended 31 March 2014		Group		Company	
		2014	2013	2014	2013
	Notes	**£m**	£m	£m	£m
Cash flows from operating activities					
Net cash generated from operations	9	**430.6**	345.0	**-**	-
Interest received		**9.1**	10.3	**-**	-
Interest paid		**(251.4)**	(175.6)	**-**	-
Employer contributions to defined benefit pension scheme		**(4.8)**	(4.7)	**-**	-
Acquisition of trading properties		**-**	(7.2)	**-**	-
Capital expenditure on trading properties		**(32.7)**	(25.4)	**-**	-
Disposal of trading properties		**21.7**	104.4	**-**	-
Corporation tax paid		**(13.9)**	(0.1)	**-**	-
Net cash inflow from operating activities		**158.6**	246.7	**-**	-
Cash flows from investing activities					
Investment property development expenditure		**(86.6)**	(208.8)	**-**	-
Acquisition of investment properties and other investments		**(3.7)**	(243.9)	**-**	-
Acquisition of subsidiary undertaking (net of cash acquired)		**-**	(86.8)	**-**	-
Other investment property related expenditure		**(135.5)**	(66.2)	**-**	-
Disposal of investment properties		**679.1**	509.9	**-**	-
Expenditure on non-property related non-current assets		**(1.6)**	(2.0)	**-**	-
Disposal of other investments		**-**	3.0	**-**	-
Loans repaid by third parties		**-**	0.8	**-**	-
Disposal of joint ventures		**142.8**	-	**-**	-
Cash contributed to joint ventures	11	**(4.7)**	(3.9)	**-**	-
Loan advances to joint ventures	11	**(117.1)**	(159.1)	**-**	-
Loan repayments by joint ventures	11	**10.9**	12.8	**-**	-
Distributions from joint ventures	11	**27.4**	30.6	**-**	-
Net cash inflow/(outflow) from investing activities		**511.0**	(213.6)	**-**	-
Cash flows from financing activities					
Cash received on issue of shares arising from exercise of share options		**6.0**	4.7	**-**	-
Purchase of own shares and treasury shares		**(16.0)**	(34.9)	**-**	-
Increase in investment in subsidiary undertaking (X-Leisure)		**(119.7)**	-	**-**	-
Proceeds from new loans (net of finance fees)		**496.9**	200.6	**-**	-
Repayment of loans	14	**(911.3)**	(10.9)	**-**	(0.1)
Recapitalisation of non-wholly owned subsidiary		**15.0**	-	**-**	-
Decrease/(increase) in monies held in restricted accounts and deposits	15	**16.4**	(1.4)	**-**	-
Decrease in finance leases payable		**(0.1)**	(0.1)	**-**	-
Dividends paid to owners of the Parent	8	**(175.6)**	(178.3)	**-**	-
Distributions paid by non-wholly owned subsidiaries		**(2.0)**	(0.8)	**-**	-
Net cash outflow from financing activities		**(690.4)**	(21.1)	**-**	(0.1)
(Decrease)/increase in cash and cash equivalents for the year		**(20.8)**	12.0	**-**	(0.1)
Cash and cash equivalents at the beginning of the year		**41.7**	29.7	**0.1**	0.2
Cash and cash equivalents at the end of the year	16	**20.9**	41.7	**0.1**	0.1

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

Notes to the Financial Statements

1. Basis of preparation and consolidation

Basis of preparation

These preliminary financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared in Pounds Sterling (rounded to the nearest hundred thousand), which is the presentation currency of the Group (Land Securities Group PLC and all of its subsidiary undertakings), and under the historical cost convention as modified by the revaluation of investment property, available-for-sale investments and derivative financial instruments.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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

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

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

On 14 May 2014, the consolidated financial statements of the Group and this preliminary announcement were authorised for issue in accordance with a resolution of the Directors and will be delivered to the Registrar of Companies following the Group's Annual General Meeting. Statutory accounts for the year ended 31 March 2013 have been filed unqualified and do not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006. The annual financial information presented in this preliminary announcement for the year ended 31 March 2014 is based on, and consistent with, the financial information in the Group's audited financial statements for the year ended 31 March 2014. The audit report on these financial statements is unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. This preliminary announcement does not constitute statutory financial statements of the Group within the meaning of Section 235 of the Companies Act 2006. Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs.

A copy of the Group's Annual Report for the year ended 31 March 2013 can be found at www.landsecurities.com/investors.

Land Securities Group PLC has not presented its own statement of comprehensive income (and separate income statement), as permitted by Section 408 of Companies Act 2006. The loss for the year of the Company, dealt with in its financial statements, was **£47.7m** (2013: a profit of £298.5m). The merger reserve arose on 6 September 2002 when the Company acquired 100% of the issued share capital of Land Securities PLC. The merger reserve represents the excess of the cost of acquisition over the nominal value of the shares issued by the Company to acquire Land Securities PLC. The merger reserve does not represent a realised or distributable profit. The capital redemption reserve represents the nominal value of cancelled shares.

Presentation of results

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

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

Revenue profit is the Group's measure of underlying pre-tax profit, which is used by senior management to assess the Group's income performance. It excludes all items of a capital nature, such as valuation movements and profits and losses on the disposal of investment properties, as well as one-off items. A full definition of revenue profit is given in the glossary. Revenue profit is presented on a proportionate basis and is therefore a non-GAAP measure. Revenue profit is detailed in note 2.

2. Segmental information

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

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

The Group's primary measure of underlying profit before tax is revenue profit. However, segment profit is the lowest level to which the profit arising from the on-going operations of the Group is analysed between the two segments. The Group manages its financing structure, with the exception of joint ventures, on a pooled basis and, as such, debt facilities and interest charges are not specific to a particular segment. Unallocated income and expenses are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments.

2. Segmental information continued

Group									Year ended 31 March 2014
	Retail Portfolio			London Portfolio			Total		
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Rental income	310.7	65.6	376.3	248.5	9.3	257.8	559.2	74.9	634.1
Finance lease interest	1.7	0.2	1.9	9.0	-	9.0	10.7	0.2	10.9
Gross rental income (before rents payable)	312.4	65.8	378.2	257.5	9.3	266.8	569.9	75.1	645.0
Rents payable (1)	(9.2)	(1.9)	(11.1)	(2.5)	-	(2.5)	(11.7)	(1.9)	(13.6)
Gross rental income (after rents payable)	303.2	63.9	367.1	255.0	9.3	264.3	558.2	73.2	631.4
Service charge income	46.1	9.3	55.4	38.4	0.3	38.7	84.5	9.6	94.1
Service charge expense	(48.2)	(10.6)	(58.8)	(38.4)	(0.3)	(38.7)	(86.6)	(10.9)	(97.5)
Net service charge expense	(2.1)	(1.3)	(3.4)	-	-	-	(2.1)	(1.3)	(3.4)
Other property related income	15.6	1.0	16.6	19.8	0.4	20.2	35.4	1.4	36.8
Direct property expenditure	(35.5)	(9.6)	(45.1)	(22.3)	(3.4)	(25.7)	(57.8)	(13.0)	(70.8)
Net rental income	281.2	54.0	335.2	252.5	6.3	258.8	533.7	60.3	594.0
Indirect property expenditure	(25.5)	(2.3)	(27.8)	(17.7)	(0.6)	(18.3)	(43.2)	(2.9)	(46.1)
Depreciation	(0.2)	-	(0.2)	(0.9)	-	(0.9)	(1.1)	-	(1.1)
Segment profit before interest	255.5	51.7	307.2	233.9	5.7	239.6	489.4	57.4	546.8
Joint venture net interest expense	-	(14.0)	(14.0)	-	(8.7)	(8.7)	-	(22.7)	(22.7)
Segment profit	255.5	37.7	293.2	233.9	(3.0)	230.9	489.4	34.7	524.1
Group services – other income							3.6	-	3.6
– expense							(40.1)	-	(40.1)
Interest income							25.2	-	25.2
Interest expense							(193.2)	-	(193.2)
Revenue profit							284.9	34.7	319.6

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

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

2. Of the net release of impairment of trading properties of **£5.0m**, an impairment of **£0.4m** relates to the Retail Portfolio, and a reversal of impairment of **£5.4m** relates to the London Portfolio.
3. All items in the segment note are presented on a proportionate basis (see note 1). This adjustment represents the difference between profit before tax on a proportionate basis and profit before tax per the Group income statement.

2. Segmental information continued

Group	Retail Portfolio			London Portfolio			Total		Year ended 31 March 2013
Revenue profit	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Rental income	256.0	66.9	322.9	253.6	16.5	270.1	509.6	83.4	593.0
Finance lease interest	1.9	0.5	2.4	9.1	-	9.1	11.0	0.5	11.5
Gross rental income (before rents payable)	257.9	67.4	325.3	262.7	16.5	279.2	520.6	83.9	604.5
Rents payable (1)	(9.4)	(2.1)	(11.5)	(3.1)	-	(3.1)	(12.5)	(2.1)	(14.6)
Gross rental income (after rents payable)	248.5	65.3	313.8	259.6	16.5	276.1	508.1	81.8	589.9
Service charge income	34.9	10.1	45.0	37.1	0.6	37.7	72.0	10.7	82.7
Service charge expense	(36.4)	(11.1)	(47.5)	(36.7)	(0.7)	(37.4)	(73.1)	(11.8)	(84.9)
Net service charge expense	(1.5)	(1.0)	(2.5)	0.4	(0.1)	0.3	(1.1)	(1.1)	(2.2)
Other property related income	11.4	1.2	12.6	17.7	0.1	17.8	29.1	1.3	30.4
Direct property expenditure	(31.1)	(12.1)	(43.2)	(26.2)	(1.0)	(27.2)	(57.3)	(13.1)	(70.4)
Net rental income	227.3	53.4	280.7	251.5	15.5	267.0	478.8	68.9	547.7
Indirect property expenditure	(20.5)	(2.8)	(23.3)	(15.3)	(0.7)	(16.0)	(35.8)	(3.5)	(39.3)
Depreciation	(0.1)	-	(0.1)	(0.9)	-	(0.9)	(1.0)	-	(1.0)
Segment profit before interest	206.7	50.6	257.3	235.3	14.8	250.1	442.0	65.4	507.4
Joint venture net interest expense	-	(16.4)	(16.4)	-	(14.6)	(14.6)	-	(31.0)	(31.0)
Segment profit	206.7	34.2	240.9	235.3	0.2	235.5	442.0	34.4	476.4
Group services – other income							3.8	-	3.8
– expense							(40.3)	-	(40.3)
Interest income							24.7	-	24.7
Interest expense							(173.9)	-	(173.9)
Revenue profit							256.3	34.4	290.7

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

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

2. Of the net release of impairment of trading properties of £3.1m, an impairment of £0.2m relates to the Retail Portfolio, and a reversal of impairment of £3.3m relates to the London Portfolio.
3. All items in the segment note are presented on a proportionate basis (note 1). This adjustment represents the difference between profit before tax on a proportionate basis and profit before tax per the Group income statement.

3. Revenue

All revenue is classified within the 'Revenue profit' column of the income statement, with the exception of proceeds on the sale of trading properties and income arising on long-term development contracts, which are presented in the 'Capital and other items' column. Also included in the 'Capital and other items' column is the difference between the relevant line item on a proportionate basis and the amount included in the Group income statement.

						Group
			2014			2013
	Revenue profit £m	Capital and other items £m	Total £m	Revenue profit £m	Capital and other items £m	Total £m
Rental income (excluding adjustment for lease incentives)	**526.1**	**9.5**	**535.6**	490.7	3.5	494.2
Adjustment for lease incentives	**33.1**	**0.7**	**33.8**	18.9	0.3	19.2
Rental income	**559.2**	**10.2**	**569.4**	509.6	3.8	513.4
Service charge income	**84.5**	**2.1**	**86.6**	72.0	0.9	72.9
Other property related income	**35.4**	**(0.6)**	**34.8**	29.1	(0.3)	28.8
Trading property sales proceeds	**-**	**11.2**	**11.2**	-	106.7	106.7
Finance lease interest	**10.7**	**0.2**	**10.9**	11.0	-	11.0
Other income	**3.6**	**-**	**3.6**	3.8	-	3.8
	693.4	**23.1**	**716.5**	625.5	111.1	736.6

4. Costs

All costs are classified within the 'Revenue profit' column of the income statement, with the exception of the cost of sale of trading properties and costs arising on long-term development contracts, which are presented in the 'Capital and other items' column. Also included in the 'Capital and other items' column is the difference between the relevant line item on a proportionate basis and the amount included in the Group income statement.

						Group
			2014			2013
	Revenue profit £m	Capital and other items £m	Total £m	Revenue profit £m	Capital and other items £m	Total £m
Rents payable	**11.7**	**0.1**	**11.8**	12.5	-	12.5
Service charge expense	**86.6**	**2.4**	**89.0**	73.1	1.0	74.1
Direct property expenditure	**57.8**	**0.8**	**58.6**	57.3	0.3	57.6
Indirect property expenditure (excluding employee costs)	**19.0**	**0.2**	**19.2**	15.8	0.2	16.0
Employee costs	**65.4**	**-**	**65.4**	61.3	-	61.3
Long-term development contract expenditure	**-**	**-**	**-**	-	(0.1)	(0.1)
Carrying value of trading property disposals	**-**	**9.3**	**9.3**	-	69.3	69.3
	240.5	**12.8**	**253.3**	220.0	70.7	290.7

5. Net interest expense

	2014 £m	Group 2013 £m
Interest expense		
Bond and debenture debt	**(174.6)**	(177.3)
Bank borrowings	**(30.0)**	(18.3)
Other interest payable	**(1.0)**	(0.8)
Amortisation of bond exchange de-recognition	**(19.6)**	(18.1)
Fair value movement on interest-rate swaps	**-**	(1.6)
	(225.2)	(216.1)
Interest capitalised in relation to properties under development	**8.3**	20.7
Total interest expense	**(216.9)**	(195.4)
Interest income		
Short-term deposits	**0.1**	0.6
Interest received on loan investments	**2.3**	2.3
Other interest receivable	**1.4**	5.4
Interest receivable from joint ventures	**21.0**	15.6
Net pension interest	**0.4**	0.8
Fair value movement on interest-rate swaps	**12.5**	-
Total interest income	**37.7**	24.7
Net interest expense	**(179.2)**	(170.7)

Included within rents payable (note 2) is finance lease interest payable of **£2.4m** (2013: £2.1m).

The Group has changed the calculation and presentation of pension interest following the adoption of IAS 19R. In accordance with IAS 19R, pension interest for the current year has been calculated and presented on a net basis. The corresponding balances in the prior year have been re-presented to align the presentation but have not been adjusted as the impact is not considered to be material.

The following table reconciles interest expense and interest income per the Group income statement to interest expense and interest income included within revenue profit (note 2):

	2014 £m	Group 2013 £m
Total interest expense (a)	**(216.9)**	(195.4)
Joint venture net interest expense	**(22.7)**	(31.0)
Amortisation of bond exchange de-recognition adjustment	**19.6**	18.1
Fair value movement on interest-rate swaps	**-**	2.8
Adjustment for proportionate share of interest-rate swaps (1)	**-**	(1.2)
Adjustment for proportionate share of interest expense (1)	**4.1**	1.8
Total interest expense included in revenue profit (b)	**(215.9)**	(204.9)
Joint venture net interest expense	**22.7**	31.0
Interest expense in the segment note	**(193.2)**	(173.9)
Total interest income (c)	**37.7**	24.7
Fair value movement on interest-rate swaps	**(10.4)**	-
Adjustment for proportionate share of interest-rate swaps (1)	**(2.1)**	-
Interest income included in revenue profit (d)	**25.2**	24.7
Net interest expense included in the income statement (a+c)	**179.2**	170.7
Net interest expense included in revenue profit (b+d)	**190.7**	180.2

1. This represents the difference between interest expense and the fair value movement on interest-rate swaps on a proportionate basis and net interest expense and the fair value movement on interest-rate swaps per the Group income statement.

6. Net assets per share		Group
	2014	2013
	£m	£m
Net assets attributable to the owners of the Parent	**8,418.3**	7,486.7
Fair value of interest-rate swaps – Group	**3.7**	16.1
– Joint ventures	**(0.1)**	8.4
EPRA adjusted net assets	**8,421.9**	7,511.2
Reverse bond exchange de-recognition adjustment	**(413.2)**	(432.8)
Adjusted net assets attributable to the owners of the Parent	**8,008.7**	7,078.4
Reinstate bond exchange de-recognition adjustment	**413.2**	432.8
Fair value of interest-rate swaps – Group	**(3.7)**	(16.1)
– Joint ventures	**0.1**	(8.4)
Excess of fair value of debt over book value (note 14)	**(889.1)**	(1,111.8)
EPRA triple net assets	**7,529.2**	6,374.9

	2014	2013
	million	million
Number of ordinary shares in issue	**799.2**	792.1
Number of treasury shares	**(10.5)**	(10.5)
Number of own shares	**(1.1)**	(1.1)
Number of ordinary shares - basic net assets per share	**787.6**	780.5
Dilutive effect of share options	**3.0**	3.2
Number of ordinary shares - diluted net assets per share	**790.6**	783.7

	2014	2013
	pence	pence
Net assets per share	**1,069**	959
Diluted net assets per share	**1,065**	955
Adjusted net assets per share	**1,017**	907
Adjusted diluted net assets per share	**1,013**	903
EPRA measure – adjusted diluted net assets per share	**1,065**	958
– diluted triple net assets per share	**952**	813

Adjusted net assets per share excludes the fair value of financial instruments used for hedging purposes and the bond exchange de-recognition adjustment as management consider that this better represents the expected future cash flows of the Group. EPRA measures have been included to assist comparison between European property companies. We believe our measure of adjusted net assets attributable to the owners of the Parent is more indicative of underlying performance.

7. Earnings per share

Earnings per share (EPS) is the amount of post-tax profit attributable to each share.

The Group has also chosen to disclose adjusted earnings per share in order to provide an indication of the Group's underlying business performance. Adjusted earnings per share exclude items of a capital nature and one-off items. We believe our measure of adjusted diluted earnings per share is more appropriate than the EPRA measure in the context of our business.

		Group
	2014 £m	2013 £m
Profit for the financial year attributable to the owners of the Parent	**1,116.6**	533.0
Net surplus on revaluation of investment properties	**(763.8)**	(217.5)
(Profit)/loss on disposal of investment properties	**(16.0)**	1.6
Profit on disposal of investments in joint ventures	**(2.5)**	-
Profit on disposal of other investments	**-**	(1.6)
Impairment release on trading properties	**(5.0)**	(3.1)
Profit on disposal of trading properties	**(2.4)**	(38.0)
Fair value movement on interest-rate swaps	**(15.2)**	(2.0)
Revaluation of redemption liabilities	**5.6**	4.5
Net gain on business combination	**(5.0)**	(1.4)
Group taxation	**(7.7)**	-
Joint venture taxation	**0.6**	-
Joint venture net liabilities adjustment [(1)]	**0.3**	(0.3)
Adjustment for proportionate share of earnings [(2)]	**(5.0)**	(5.0)
EPRA adjusted earnings attributable to the owners of the Parent	**300.5**	270.2
Eliminate profit on long-term development contracts [(3)]	**(1.0)**	(0.1)
Eliminate amortisation of bond exchange de-recognition	**19.6**	18.1
Adjusted earnings attributable to the owners of the Parent	**319.1**	288.2

1. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit.
2. Adjusted earnings are presented on a proportionate basis. This adjustment represents the difference between the proportionate share of earnings of non-wholly owned subsidiaries which is included in adjusted earnings, and the 100% share which is consolidated in the Group's income statement.
3. The profit on long-term development contracts has been removed from our adjusted earnings due to the long-term, capital nature of these programmes.

	2014 million	2013 million
Weighted average number of ordinary shares	**796.2**	789.1
Weighted average number of treasury shares	**(10.5)**	(8.7)
Weighted average number of own shares	**(1.1)**	(1.5)
Weighted average number of ordinary shares - basic earnings per share	**784.6**	778.9
Dilutive effect of share options	**2.9**	3.4
Weighted average number of ordinary shares - diluted earnings per share	**787.5**	782.3

	2014 pence	2013 pence
Basic earnings per share	**142.3**	68.4
Diluted earnings per share	**141.8**	68.1
Adjusted earnings per share	**40.7**	37.0
Adjusted diluted earnings per share	**40.5**	36.8
EPRA adjusted earnings per share	**38.3**	34.7
EPRA adjusted diluted earnings per share	**38.2**	34.5

8. Dividends

			Group and Company	
	Payment date	Pence per share	2014 £m	2013 £m
For the year ended 31 March 2012:				
Third interim	26 April 2012	7.2		56.1
Final	26 July 2012	7.4		57.5
For the year ended 31 March 2013:				
First interim	12 October 2012	7.4		57.6
Second interim	10 January 2013	7.4		57.6
Third interim	17 April 2013	7.4	**57.8**	
Final	19 July 2013	7.6	**59.4**	
For the year ended 31 March 2014:				
First interim	11 October 2013	7.6	**59.6**	
Second interim	9 January 2014	7.6	**59.7**	
Gross dividend			**236.5**	228.8
Dividends settled in shares			**(61.1)**	(50.4)
Unpaid dividends refunded			**-**	(0.9)
Dividends in the statement of changes in equity			**175.4**	177.5
Timing difference relating to payment of withholding tax			**0.2**	0.8
Dividends in the statement of cash flows			**175.6**	178.3

The Board has proposed a final quarterly dividend for the year ended 31 March 2014 of **7.9p** per share (2013: 7.6p), which will be 100% PID and result in a further estimated distribution of **£62.3m** (2013: £59.4m). It will be paid on 22 July 2014 to shareholders who are on the Register of Members on 20 June 2014. The final dividend is in addition to the third quarterly interim dividend of **7.6p** or **£59.8m** paid on 11 April 2014 (2013: 7.4p or £57.8m). The total dividend paid and proposed in respect of the year ended 31 March 2014 is **30.7p** (2013: 29.8p).

During the year the Company operated a scrip dividend scheme which provided shareholders with the opportunity to receive their dividend in shares as opposed to cash. Shares issued in lieu of dividends during the year, all of which were non-PID distributions, totalled **£61.1m** (2013: £50.4m). Following payment of the third interim dividend in April 2014, the Company suspended the scrip dividend and introduced a dividend reinvestment plan.

9. Net cash generated from operations

		Group		Company
Reconciliation of operating profit to net cash generated from operations:	2014 £m	2013 £m	2014 £m	2013 £m
Operating profit	**1,093.2**	648.2	**22.0**	328.0
Adjustments for:				
Depreciation	**2.7**	2.6	**-**	-
(Profit)/loss on disposal of investment properties	**(15.6)**	3.1	**-**	-
Profit on disposal of trading properties	**(1.9)**	(37.4)	**-**	-
Profit on disposal of investments in joint ventures	**(2.5)**	-	**-**	-
Profit on disposal of other investments	**-**	(1.6)	**-**	-
Net valuation surplus on investment properties	**(606.6)**	(196.7)	**-**	-
Release of impairment of trading properties	**(5.3)**	(7.1)	**-**	-
Share-based payment charge	**5.5**	2.9	**-**	-
Defined benefit pension scheme charge	**1.0**	1.1	**-**	-
	470.5	415.1	**22.0**	328.0
Changes in working capital:				
Increase in long-term development contracts	**(1.3)**	(1.0)	**-**	-
Increase in receivables	**(52.9)**	(48.0)	**-**	-
Increase/(decrease) in payables and provisions	**14.3**	(21.1)	**(22.0)**	(328.0)
Net cash generated from operations	**430.6**	345.0	**-**	-

10. Investment properties

	2014 £m	Group 2013 £m
Net book value at the beginning of the year	**9,651.9**	8,453.2
Acquisitions	**1.6**	245.3
Acquired in business combination	**-**	545.0
Capital expenditure	**222.0**	277.8
Capitalised interest	**5.5**	18.9
Disposals	**(637.3)**	(48.5)
Net movement in finance leases	**3.2**	13.5
Transfer to trading properties	**(5.8)**	(50.0)
Valuation surplus	**606.6**	196.7
Net book value at 31 March	**9,847.7**	9,651.9

The market value of the Group's investment properties, as determined by the Group's external valuers, differs from the net book value presented in the balance sheet due to the Group presenting lease incentives, tenant finance leases and head leases separately. The following table reconciles the net book value of the investment properties to the market value.

	2014 £m	2013 £m
Net book value at 31 March	**9,847.7**	9,651.9
Plus: tenant lease incentives	**251.9**	238.0
Less: head leases capitalised	**(30.1)**	(28.7)
Plus: properties treated as finance leases	**219.3**	212.0
Market value at 31 March – Group	**10,288.8**	10,073.2
– Adjustment for non-wholly owned subsidiaries [1]	**(29.8)**	(240.0)
– Joint ventures (note 11)	**1,600.4**	1,613.2
– Combined portfolio	**11,859.4**	11,446.4

1. This represents the interest in X-Leisure which we do not own, but is consolidated in the Group numbers.

The net book value of leasehold properties where head leases have been capitalised is **£925.1m** (2013: £947.3m).

Investment properties include capitalised interest of **£214.3m** (2013: £208.8m). The average rate of interest capitalisation for the year is **5.0%** (2013: 5.0%). The historical cost of investment properties is **£6,579.6m** (2013: £7,003.5m).

11. Investments in joint ventures

The Group's joint ventures are described below:

Name of joint venture	Percentage owned	Business segment	Year end date	Joint venture partners
Held at 31 March 2014				
20 Fenchurch Street Limited Partnership	50.0%	London Portfolio	31 March	Canary Wharf Group plc
Nova, Victoria (1)	50.0%	London Portfolio	31 March	Canada Pension Plan Investment Board
Metro Shopping Fund Limited Partnership	50.0%	Retail Portfolio	31 March	Delancey Real Estate Partners Limited
Buchanan Partnership	50.0%	Retail Portfolio	31 December	The Henderson UK Shopping Centre Fund
St. David's Limited Partnership	50.0%	Retail Portfolio	31 December	Intu Properties plc
Bristol Alliance Limited Partnership	50.0%	Retail Portfolio	31 December	Hammerson plc
Harvest (2)	50.0%	Retail Portfolio	31 March	J Sainsbury plc
The Oriana Limited Partnership	50.0%	London Portfolio	31 March	Frogmore Real Estate Partners Limited Partnership
Westgate Oxford Alliance Limited Partnership (3)	50.0%	Retail Portfolio	31 March	The Crown Estate Commissioners
The Martineau Galleries Limited Partnership (3)	33.3%	Retail Portfolio	31 December	Hammerson plc Pearl Group Limited
The Ebbsfleet Limited Partnership (3)	50.0%	London Portfolio	31 March	Lafarge Cement UK PLC
Millshaw Property Co. Limited (3)	50.0%	Retail Portfolio	31 March	Evans Property Group Limited
Countryside Land Securities (Springhead) Limited (3)	50.0%	London Portfolio	30 September	Countryside Properties PLC
West India Quay Unit Trust (3)	50.0%	Retail Portfolio	31 December	Schroder Exempt Property Unit Trust
Disposed of in the year ended 31 March 2014				
The Scottish Retail Property Limited Partnership (3)	50.0%	Retail Portfolio	31 March	The British Land Company PLC
Hungate (York) Regeneration Limited (3)	33.3%	Retail Portfolio	30 June	Crosby Lend Lease PLC Evans Property Group Limited
The Empress State Limited Partnership (3)	50.0%	London Portfolio	31 December	Capital & Counties Properties PLC
Disposed of/dissolved in the year ended 31 March 2013				
HNJV Limited (3)	50.0%	London Portfolio	31 March	Places for People Group Limited
The Martineau Limited Partnership (3)	33.3%	Retail Portfolio	31 December	Hammerson plc Pearl Group Limited

1. Nova, Victoria includes the Victoria Circle Limited Partnership and Nova Residential Limited Partnership
2. Harvest includes The Harvest Limited Partnership and Harvest Two Limited Partnership
3. Included within Other in subsequent tables.

All joint ventures are registered in England and Wales with the exception of The Scottish Retail Property Limited Partnership, Metro Shopping Fund Limited Partnership and West India Quay Unit Trust which are registered in Jersey.

11. Investments in joint ventures continued

Year ended 31 March 2014

Income statement	20 Fenchurch Street Limited Partnership £m	Nova, Victoria £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	Harvest £m	The Oriana Limited Partnership £m	Other £m	Total £m
Gross rental income (after rents payable)	0.5	(0.1)	7.2	9.0	16.7	17.7	3.8	6.4	12.0	73.2
Net rental income/(expense)	(1.9)	(0.6)	6.4	7.8	13.6	15.1	3.6	6.2	10.1	60.3
Segment profit/(loss) before interest	(2.1)	(0.7)	6.1	7.7	13.0	14.8	3.2	5.9	9.5	57.4
Interest expense	(4.4)	(0.3)	(3.3)	(4.2)	(4.4)	-	(0.7)	(3.7)	(1.7)	(22.7)
Revenue profit	(6.5)	(1.0)	2.8	3.5	8.6	14.8	2.5	2.2	7.8	34.7
Capital and other items										
Profit on long-term development contracts	-	-	-	-	-	-	1.0	-	-	1.0
Profit on disposal of trading properties	-	-	-	-	0.5	-	-	-	-	0.5
Profit on disposal of investment properties	-	-	-	-	-	-	0.3	-	0.1	0.4
Impairment of trading properties	-	-	-	-	(0.3)	-	-	-	-	(0.3)
Net surplus/(deficit) on revaluation of investment properties	100.7	15.1	8.2	(3.2)	8.8	(2.7)	(1.9)	32.7	(2.4)	155.3
Fair value movement on interest-rate swaps	-	-	-	-	1.8	-	-	1.5	1.5	4.8
Adjustment to include proportionate share of earnings[1]	-	-	-	-	-	-	-	-	0.5	0.5
Profit before tax	94.2	14.1	11.0	0.3	19.4	12.1	1.9	36.4	7.5	196.9
Income tax	-	-	(0.5)	-	(0.2)	-	(0.2)	-	(0.2)	(1.1)
	94.2	14.1	10.5	0.3	19.2	12.1	1.7	36.4	7.3	195.8
Net liabilities adjustment [2]	-	-	-	-	-	-	-	-	(0.3)	(0.3)
Share of post-tax profit	94.2	14.1	10.5	0.3	19.2	12.1	1.7	36.4	7.0	195.5

Year ended 31 March 2013

Income statement	20 Fenchurch Street Limited Partnership £m	Nova, Victoria £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	Harvest £m	The Oriana Limited Partnership £m	Other £m	Total £m
Gross rental income (after rents payable)	0.1	1.8	6.8	9.0	16.0	18.1	4.1	7.1	18.8	81.8
Net rental income	-	0.9	6.0	8.0	11.9	14.4	3.9	7.1	16.7	68.9
Segment profit/(loss) before interest	(0.1)	0.7	5.6	8.0	11.3	13.9	3.4	6.7	15.9	65.4
Interest expense	(2.1)	(3.4)	(3.2)	(4.1)	(5.3)	-	(1.4)	(4.5)	(7.0)	(31.0)
Revenue profit	(2.2)	(2.7)	2.4	3.9	6.0	13.9	2.0	2.2	8.9	34.4
Capital and other items										
Profit on disposal of trading properties	-	-	-	-	0.6	-	-	-	-	0.6
Profit on disposal of investment properties	-	-	-	-	1.3	-	-	-	0.2	1.5
Impairment of trading properties	-	-	-	-	(0.1)	-	-	-	(3.9)	(4.0)
Net surplus/(deficit) on revaluation of investment properties	23.1	15.2	(6.3)	-	8.1	(17.9)	(1.4)	7.3	(7.6)	20.5
Fair value movement on interest-rate swaps	-	-	-	-	0.9	-	-	1.1	2.8	4.8
Adjustment to include proportionate share of earnings[1]	-	-	-	-	-	-	-	-	0.5	0.5
Profit/(loss) before tax	20.9	12.5	(3.9)	3.9	16.8	(4.0)	0.6	10.6	0.9	58.3
Income tax	-	-	-	-	-	-	-	-	-	-
	20.9	12.5	(3.9)	3.9	16.8	(4.0)	0.6	10.6	0.9	58.3
Net liabilities adjustment [2]	-	-	-	-	-	-	-	-	0.3	0.3
Share of post-tax profit/(loss)	20.9	12.5	(3.9)	3.9	16.8	(4.0)	0.6	10.6	1.2	58.6

1. All items in the Investments in joint ventures note are presented on a proportionate basis (see note 1). This adjustment represents the difference between the share of post-tax profit for joint ventures on a proportionate basis and the share of post-tax profit from joint ventures per the Group income statement.
2. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit. Where this is the case distributions are included in the consolidated income statement for the period.

11. Investments in joint ventures continued										Year ended 31 March 2014
Net investment	20 Fenchurch Street Limited Partnership £m	Nova, Victoria £m	Metro Shopping Fund Limited Partnership £m	Buchanan Partnership £m	St. David's Limited Partnership £m	Bristol Alliance Limited Partnership £m	Harvest £m	The Oriana Limited Partnership £m	Other £m	Total £m
At 1 April 2012	101.7	102.5	42.6	138.7	147.5	287.4	101.3	76.0	139.9	1,137.6
Cash contributed	-	-	1.5	0.3	-	-	-	-	2.1	3.9
Property and other contributions	0.1	-	-	-	-	-	-	-	-	0.1
Distributions	-	-	(0.7)	(4.7)	-	(14.7)	-	-	(10.5)	(30.6)
Acquired in business combination	-	-	-	-	-	-	-	-	29.0	29.0
Fair value movement on cash flow hedges taken to comprehensive income	-	-	(2.5)	-	-	-	0.8	-	0.8	(0.9)
Loan advances	52.9	11.5	-	-	26.7	-	2.0	1.1	64.9	159.1
Loan repayments	-	-	-	-	(4.9)	-	-	(5.6)	(2.3)	(12.8)
Loan settled through equity	-	-	-	-	-	-	(43.0)	-	-	(43.0)
Share of post-tax profit/(loss)	20.9	12.5	(3.9)	3.9	16.8	(4.0)	0.6	10.6	1.2	58.6
At 31 March 2013	**175.6**	**126.5**	**37.0**	**138.2**	**186.1**	**268.7**	**61.7**	**82.1**	**225.1**	**1,301.0**
Cash contributed	-	-	-	1.3	-	-	-	-	3.4	4.7
Property and other contributions	0.1	-	-	-	-	-	-	-	-	0.1
Distributions	-	-	(0.8)	(4.7)	-	(16.1)	-	-	(5.8)	(27.4)
Fair value movement on cash flow hedges taken to comprehensive income	-	-	3.0	-	-	-	0.5	-	-	3.5
Loan advances	60.5	40.7	-	-	-	-	13.4	-	2.5	117.1
Loan repayments	-	-	-	-	(10.0)	-	-	-	(0.9)	(10.9)
Disposal of investment	-	-	-	-	-	-	-	-	(140.3)	(140.3)
Share of post-tax profit	94.2	14.1	10.5	0.3	19.2	12.1	1.7	36.4	7.0	195.5
At 31 March 2014	**330.4**	**181.3**	**49.7**	**135.1**	**195.3**	**264.7**	**77.3**	**118.5**	**91.0**	**1,443.3**
Balance sheet at 31 March 2014										
Investment properties [1]	343.4	132.6	117.7	134.0	261.6	254.6	57.4	196.0	74.1	1,571.4
Current assets	2.4	72.4	6.6	3.2	19.6	19.5	23.4	14.4	28.3	189.8
	345.8	205.0	124.3	137.2	281.2	274.1	80.8	210.4	102.4	1,761.2
Current liabilities	(15.4)	(17.3)	(3.2)	(2.1)	(7.1)	(6.8)	(2.7)	(8.5)	(2.5)	(65.6)
Non-current liabilities	-	(6.4)	(71.4)	-	(78.8)	(2.6)	(0.8)	(83.4)	(8.9)	(252.3)
	(15.4)	(23.7)	(74.6)	(2.1)	(85.9)	(9.4)	(3.5)	(91.9)	(11.4)	(317.9)
Net assets	**330.4**	**181.3**	**49.7**	**135.1**	**195.3**	**264.7**	**77.3**	**118.5**	**91.0**	**1,443.3**
Market value of investment properties [1]	**343.8**	**132.6**	**118.6**	**135.0**	**272.2**	**267.3**	**58.2**	**199.0**	**73.7**	**1,600.4**
Net (debt)/cash	**1.9**	**6.6**	**(67.2)**	**0.6**	**(72.6)**	**(0.1)**	**6.3**	**(76.9)**	**(6.8)**	**(208.2)**
Balance sheet at 31 March 2013										
Investment properties [1]	183.1	130.0	106.6	136.0	253.2	257.2	72.0	160.4	279.0	1,577.5
Current assets	2.9	3.8	5.3	4.4	36.2	21.3	13.4	9.3	39.1	135.7
	186.0	133.8	111.9	140.4	289.4	278.5	85.4	169.7	318.1	1,713.2
Current liabilities	(10.4)	(7.2)	(3.1)	(2.2)	(7.8)	(7.2)	(3.1)	(3.1)	(81.1)	(125.2)
Non-current liabilities	-	(0.1)	(71.8)	-	(95.5)	(2.6)	(20.6)	(84.5)	(12.2)	(287.3)
	(10.4)	(7.3)	(74.9)	(2.2)	(103.3)	(9.8)	(23.7)	(87.6)	(93.3)	(412.5)
Net liabilities adjustment [2]	-	-	-	-	-	-	-	-	0.3	0.3
Net assets	**175.6**	**126.5**	**37.0**	**138.2**	**186.1**	**268.7**	**61.7**	**82.1**	**225.1**	**1,301.0**
Market value of investment properties [1]	**183.1**	**130.0**	**107.5**	**137.5**	**264.7**	**271.7**	**72.9**	**163.5**	**282.3**	**1,613.2**
Net (debt)/cash	**2.9**	**3.8**	**(68.6)**	**2.3**	**(74.5)**	**(0.1)**	**(15.6)**	**(78.5)**	**(71.7)**	**(300.0)**

1. The difference between the book value and the market value of investment properties is the amount included in prepayments in respect of lease incentives, head leases capitalised and properties treated as finance leases.
2. Joint ventures with net liabilities are carried at zero value in the balance sheet where there is no commitment to fund the deficit and any distributions are included in the consolidated income statement for the year.

12. Trading properties and long-term development contracts

	Trading properties			Group
	Development land and infrastructure £m	Residential £m	Long-term development contracts £m	Total £m
At 1 April 2012	68.0	56.7	8.4	133.1
Acquisitions	7.1	-	-	7.1
Capital expenditure	3.1	17.1	-	20.2
Capitalised interest	0.9	0.9	-	1.8
Transfer from investment properties	-	50.0	-	50.0
Disposals	-	(67.5)	-	(67.5)
Impairment release	7.1	-	-	7.1
Contract costs deferred	-	-	1.0	1.0
At 31 March 2013	**86.2**	**57.2**	**9.4**	**152.8**
Capital expenditure	**3.7**	**30.5**	**-**	**34.2**
Capitalised interest	**0.9**	**1.9**	**-**	**2.8**
Transfer from investment properties	**-**	**5.8**	**-**	**5.8**
Disposals	**-**	**(9.3)**	**-**	**(9.3)**
Impairment release	**5.3**	**-**	**-**	**5.3**
Contract costs deferred	**-**	**-**	**1.3**	**1.3**
At 31 March 2014	**96.1**	**86.1**	**10.7**	**192.9**

The cumulative impairment provision at 31 March 2014 in respect of Development land and infrastructure was **£98.1m** (31 March 2013: £103.4m); and in respect of Residential was **£0.3m** (31 March 2013: £0.3m). The average rate of interest capitalisation for the year is 5.0% (2013: 5.0%).

13. Capital structure

	2014				Group 2013			
	Group £m	Adjustment for non-wholly owned subsidiaries[1] £m	Joint ventures £m	Combined £m	Group £m	Adjustment for non-wholly owned subsidiaries[1] £m	Joint ventures £m	Combined £m
Property portfolio								
Market value of investment properties	**10,288.8**	**(29.8)**	**1,600.4**	**11,859.4**	10,073.2	(240.0)	1,613.2	11,446.4
Trading properties and long-term contracts	**192.9**	**-**	**91.7**	**284.6**	152.8	-	20.8	173.6
Total property portfolio (a)	**10,481.7**	**(29.8)**	**1,692.1**	**12,144.0**	10,226.0	(240.0)	1,634.0	11,620.0
Net debt								
Borrowings	**3,362.2**	**(0.1)**	**244.9**	**3,607.0**	3,751.4	(124.4)	344.6	3,971.6
Monies held in restricted accounts and deposits	**(14.5)**	**-**	**-**	**(14.5)**	(30.9)	-	-	(30.9)
Cash and cash equivalents	**(20.9)**	**0.1**	**(36.6)**	**(57.4)**	(41.7)	11.4	(53.0)	(83.3)
Fair value of interest-rate swaps	**3.7**	**-**	**(0.1)**	**3.6**	19.8	(3.7)	8.4	24.5
Net debt (b)	**3,330.5**	**-**	**208.2**	**3,538.7**	3,698.6	(116.7)	300.0	3,881.9
Less: Fair value of interest-rate swaps	**(3.7)**	**-**	**0.1**	**(3.6)**	(19.8)	3.7	(8.4)	(24.5)
Reverse bond exchange de-recognition (note 14)	**413.2**	**-**	**-**	**413.2**	432.8	-	-	432.8
Adjusted net debt (c)	**3,740.0**	**-**	**208.3**	**3,948.3**	4,111.6	(113.0)	291.6	4,290.2
Adjusted total equity								
Total equity (d)	**8,418.3**			**8,418.3**	7,486.7			7,486.7
Fair value of interest-rate swaps	**3.7**		**(0.1)**	**3.6**	19.8	(3.7)	8.4	24.5
Reverse bond exchange de-recognition (note 14)	**(413.2)**			**(413.2)**	(432.8)			(432.8)
Adjusted total equity (e)	**8,008.8**		**(0.1)**	**8,008.7**	7,073.7	(3.7)	8.4	7,078.4
Gearing (b/d)	**39.6%**			**42.0%**	49.4%			51.8%
Adjusted gearing (c/e)	**46.7%**			**49.3%**	58.1%			60.6%
Group LTV (c/a)	**35.7%**			**32.5%**	40.2%			36.9%
Security Group LTV	**35.5%**				37.7%			
Weighted average cost of debt	**5.0%**			**5.0%**	4.9%			4.9%

1. This represents the **5.0%** (2013: 40.6%) interest in X-Leisure which we do not own but is consolidated in the Group numbers.

14. Borrowings

									Group
						2014			2013
	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m	Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings									
Sterling									
5.292 per cent MTN due 2015	Secured	Fixed	5.3	**-**	**-**	**-**	122.7	125.1	122.7
5.253 per cent QAG Bond	Secured	Fixed	5.3	**13.2**	**15.0**	**13.2**	11.8	14.3	11.8
Syndicated bank debt	Secured	Floating	LIBOR + margin	**-**	**-**	**-**	264.8	264.8	264.8
Bilateral facilities	Secured	Floating	LIBOR + margin	**500.0**	**500.0**	**500.0**	35.7	37.0	36.9
Total current borrowings				**513.2**	**515.0**	**513.2**	435.0	441.2	436.2
Non-current borrowings									
Sterling									
4.875 per cent MTN due 2019	Secured	Fixed	5.0	**400.0**	**441.1**	**398.2**	400.0	458.9	397.8
5.425 per cent MTN due 2022	Secured	Fixed	5.5	**255.3**	**290.8**	**254.8**	255.3	307.1	254.7
4.875 per cent MTN due 2025	Secured	Fixed	4.9	**300.0**	**332.6**	**297.9**	300.0	357.7	297.7
5.391 per cent MTN due 2026	Secured	Fixed	5.4	**210.7**	**242.9**	**210.0**	210.7	254.0	210.0
5.391 per cent MTN due 2027	Secured	Fixed	5.4	**608.6**	**703.3**	**606.4**	608.6	744.0	606.3
5.376 per cent MTN due 2029	Secured	Fixed	5.4	**317.5**	**366.3**	**316.1**	317.6	384.8	316.1
5.396 per cent MTN due 2032	Secured	Fixed	5.4	**322.7**	**375.1**	**321.0**	322.7	392.9	320.9
5.125 per cent MTN due 2036	Secured	Fixed	5.1	**500.0**	**570.2**	**498.7**	500.0	596.5	498.6
Bond exchange de-recognition adjustment						**(413.2)**			(432.8)
				2,914.8	**3,322.3**	**2,489.9**	2,914.9	3,495.9	2,469.3
5.253 per cent QAG Bond	Secured	Fixed	5.3	**304.0**	**346.0**	**304.0**	317.2	384.1	317.2
Syndicated bank debt	Secured	Floating	LIBOR + margin	**15.0**	**15.0**	**15.0**	330.0	330.0	330.0
Bilateral facilities	Secured	Floating	LIBOR + margin	**10.0**	**10.0**	**10.0**	170.0	170.0	170.0
Amounts payable under finance leases	Unsecured	Fixed	7.2	**30.1**	**43.0**	**30.1**	28.7	42.0	28.7
Total non-current borrowings				**3,273.9**	**3,736.3**	**2,849.0**	3,760.8	4,422.0	3,315.2
Total borrowings				**3,787.1**	**4,251.3**	**3,362.2**	4,195.8	4,863.2	3,751.4

Reconciliation of the movement in borrowings		Group
	2014	2013
	£m	£m
At the beginning of the year	**3,751.4**	3,235.9
Repayment of loans	**(911.3)**	(10.9)
Acquired in business combination	**-**	305.8
Proceeds from new loans	**500.0**	200.8
Amortisation of finance fees	**1.1**	1.0
Amortisation of bond exchange de-recognition adjustment	**19.6**	18.1
Net movement in finance lease obligations	**1.4**	0.7
At 31 March	**3,362.2**	3,751.4

Medium term notes (MTNs)

The MTNs are secured on the fixed and floating pool of assets of the Security Group. Debt investors benefit from security over a pool of investment properties, development properties and the Group's investment in the Bristol Alliance Limited Partnership, the Westgate Oxford Alliance Limited Partnership and Nova, Victoria, valued at **£9.7bn** at 31 March 2014 (2013: £9.3bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded the operating environment becomes more restrictive with provisions to encourage the reduction in gearing (see note 13). The interest rate is fixed until the expected maturity, being two years before the legal maturity date for each MTN, whereupon the interest rate for the last two years is LIBOR plus a step-up margin. The effective interest rate includes the amortisation of issue costs. The MTNs are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

14. Borrowings continued

Syndicated and bilateral bank debt

	Maturity as at 31 March 2014	Authorised 2014 £m	Authorised 2013 £m	Drawn 2014 £m	Drawn 2013 £m	Group Undrawn 2014 £m	Group Undrawn 2013 £m
Syndicated debt	2016	**1,085.0**	1,085.0	**15.0**	330.0	**1,070.0**	755.0
Bilateral debt	2014 -18	**985.0**	300.0	**510.0**	170.0	**475.0**	130.0
Debt acquired in business combination	n/a	**-**	330.3	**-**	301.7	**-**	28.6
		2,070.0	1,715.3	**525.0**	801.7	**1,545.0**	913.6

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year. Accordingly, the Group's available facilities at 31 March 2014 were **£1,045.0m** (2013: £913.6m), compared with undrawn facilities of **£1,545.0m** (2013: £913.6m).

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the year, a £165m bilateral facility was repaid and the facility cancelled in full. At the same time a new £250m facility was entered into. £600m of further facilities were also made available to the Group throughout the year. All facilities acquired in the prior year business combination were repaid in full during the year and cancelled.

Management monitors the Group's available funds as follows:

	Group 2014 £m	Group 2013 £m
Cash and cash equivalents	**20.9**	41.7
Available facilities	**1,045.0**	913.6
Cash and available facilities	**1,065.9**	955.3
As a proportion of drawn debt	**28.4%**	23.0%

The Group's core financing structure is in the Security Group, although the remaining Non-Restricted Group may also secure independent funding.

Security Group

The Group's principal financing arrangements utilise the credit support of a ring-fenced group of assets (the Security Group) that comprises the majority of the Group's investment property portfolio. These arrangements operate in 'tiers' determined by LTV and Interest cover ratio (ICR). This structure is most flexible at lower tiers (with a lower LTV and a higher ICR) and allows property acquisitions, disposals and developments to occur with relative freedom. In higher tiers, the requirements become more prescriptive. No financial covenant default is triggered until the applicable LTV exceeds 100% or the ICR is less than 1.0x.

As at 31 March 2014, the reported LTV for the Security Group was **35.5%** (2013: 37.7%), meaning that the Group was operating in Tier 1 and benefited from maximum operational flexibility.

Management monitors the key covenants attached to the Security Group on a monthly basis, including LTV, ICR, sector and regional concentration and disposals.

Non-Restricted Group

The Non-Restricted Group obtains funding when required from a combination of inter-company loans from the Security Group, equity and external bank debt. Bespoke credit facilities are established with banks when required for the Non-Restricted Group projects and joint ventures, usually on a limited-recourse basis.

Queen Anne's Gate Bond

On 29 July 2009, the Group issued a £360.3m bond secured on the rental cash flows from the commercial lease with the UK Government over Queen Anne's Gate (QAG). The QAG Bond is a fully amortising bond with a final maturity in February 2027 and a fixed interest rate of 5.253% per annum. At 31 March 2014 the bond had an amortised book value of **£317.2m** (2013: £329.0m).

Fair values

The fair values of any floating rate financial liabilities are assumed to be equal to their nominal value, but adjusted for the effect of exit fees payable on redemption. The fair values of the MTNs and the QAG Bond fall within Level 1, the syndicated and bilateral facilities fall within Level 2, and the amounts payable under finance leases fall within Level 3, as defined by IFRS 13.

Bond exchange de-recognition

On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new MTNs with higher nominal values. The new MTNs did not meet the IAS 39 requirement to be substantially different from the debt that it replaced. Consequently the book value of the new debt is reduced to the book value of the original debt by the 'bond exchange de-recognition' adjustment which is then amortised to zero over the life of the new MTNs. The amortisation is charged to net interest expenses in the income statement.

15. Monies held in restricted accounts and deposits

		Group
	2014	2013
	£m	£m
Cash at bank and in hand	**7.6**	7.4
Short-term deposits	**6.9**	23.5
	14.5	30.9

The credit quality of monies held in restricted accounts and deposits can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

		Group
	2014	2013
	£m	£m
Counterparties with external credit ratings		
A+	**-**	7.4
A	**14.5**	23.5
	14.5	30.9

16. Cash and cash equivalents

		Group		Company
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Cash at bank and in hand	**18.2**	17.4	**0.1**	0.1
Short-term deposits	**2.7**	24.3	**-**	-
	20.9	41.7	**0.1**	0.1

Short-term deposits

The effective interest rate on short-term deposits was **0.3%** at 31 March 2014 (2013: 0.3%) and had an average maturity of **2 days** (2013: 2 days).

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

		Group
	2014	2013
	£m	£m
Counterparties with external credit ratings		
AA-	**-**	19.5
A+	**-**	6.1
A	**20.3**	16.1
A-	**0.6**	-
	20.9	41.7

Business analysis

Table 7: EPRA performance measures

	Definition for EPRA measure	Notes	31 March 2014 Land Securities measure	EPRA measure
Adjusted earnings	Recurring earnings from core operational activity [(1)]	7	**£319.1m**	**£300.5m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares [(1)]	7	**40.7p**	**38.3p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares[(1)]	7	**40.5p**	**38.2p**
Adjusted net assets	Net asset value adjusted to exclude fair value movements on interest-rate swaps [(2)]	6	**£8,008.7m**	**£8,421.9m**
Adjusted diluted net assets per share	Adjusted diluted net assets per share [(2)]	6	**1,013p**	**1,065p**
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	6	**£7,529.2m**	**£7,529.2m**
Diluted triple net assets per share	Diluted triple net assets per share	6	**952p**	**952p**
Net Initial Yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs [(3)]		**4.4%**	**5.2%**
Topped-up NIY	NIY adjusted for rent free periods [(3)]		**5.0%**	**5.5%**
Voids/Vacancy Rate	ERV of vacant space as a % of ERV of combined portfolio excluding the development programme [(4)]		**2.1%**	**2.0%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs) [(5)]		**18.8%**	**19.2%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs) [(5)]		**n/a**	**17.3%**

Refer to notes 6 and 7 and table 13 for further analysis.

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the effect of bond exchange de-recognition charges of £19.6m.
2. EPRA adjusted net assets and adjusted diluted net assets per share include the bond exchange de-recognition adjustment of £413.2m.
3. Our NIY and Topped-up NIY relate to the combined portfolio and are calculated by our external valuers. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours, but exclude the development programme.
4. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the combined portfolio excluding only the development programme.
5. The EPRA cost ratio is calculated based on gross rental income after rents payable, whereas our measure is based on gross rental income before rents payable. We do not calculate a cost ratio excluding direct vacancy costs as we do not consider this to be helpful. For further information on our costs and cost ratio see table 13.

Table 8: Reconciliation of net book value of the investment properties to the market value

	As at 31 March 2014				As at 31 March 2013			
	Group (excl. joint ventures)	**Adjustment for proportionate share [(1)]**	**Joint ventures**	**Total**	Group (excl. joint ventures)	Adjustment for proportionate share [(1)]	Joint ventures	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Net book value	**9,847.7**	**(28.7)**	**1,571.5**	**11,390.5**	9,651.9	(233.2)	1,577.5	10,996.2
Plus: tenant lease incentives	**251.9**	**(0.2)**	**27.8**	**279.5**	238.0	(0.2)	35.5	273.3
Less: head leases capitalised	**(30.1)**	**0.2**	**(3.0)**	**(32.9)**	(28.7)	1.9	(4.6)	(31.4)
Plus: properties treated as finance leases	**219.3**	**(1.1)**	**4.1**	**222.3**	212.0	(8.5)	4.8	208.3
Market value	**10,288.8**	**(29.8)**	**1,600.4**	**11,859.4**	10,073.2	(240.0)	1,613.2	11,446.4

1. This represents the **5.0%** (2013: 40.6%) interest in X-Leisure we do not own but is consolidated in the Group numbers.

Table 9: Development pipeline at 31 March 2014

Property	Description of use	Ownership interest %	Size sq ft	Letting status %	Market value £m	Net income/ ERV £m	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Developments after practical completion									
123 Victoria Street, SW1[1]	Office	100	200,100	92	262	13.9	Aug 2012	154	154
	Retail		28,200	100					
62 Buckingham Gate, SW1	Office	100	259,700	63	323	18.6	May 2013	179	179
	Retail		15,600	100					
Developments approved or in progress									
Bishop Centre, Taplow	Retail	100	101,500	82	37	2.7	Jul 2014	27	39
20 Fenchurch Street, EC3	Office	50	673,600	87	344	21.5	Aug 2014	206	239
	Retail		13,000	67					
1 & 2 New Ludgate, EC4	Office	100	348,600	-	163	22.6	Apr 2015	132	257
	Retail		30,800	-					
The Zig Zag Building, SW1[2]	Office	100	187,700	-	136	15.8	May 2015	101	174
	Retail		44,200	26					
20 Eastbourne Terrace, W2	Office	100	91,800	-	29	5.3	Feb 2016	26	66
1 New Street Square, EC4	Office	100	266,200	-	48	16.0	Jun 2016	44	177
	Retail		4,700	-					
Nova, Victoria, SW1 - Phase I	Office	50	480,300	-	123	20.0	Jul 2016	85	245
	Retail		79,900	-					
Oriana,W1 – Phase II	Retail	50	72,300	64	53	3.0	Sep 2016	33	51
	Residential		20,200	-					
Developments let and transferred or sold									
Trinity Leeds	Retail	100	817,000	97	490	29.4	Feb 2013	370	372
185-221 Buchanan Street, Glasgow	Retail	100	115,200	99	96	4.7	Mar 2013	49	49
Chadwell Heath, Whalebone Lane	Retail	Sold	48,100	n/a	n/a	n/a	Sep 2013	n/a	n/a
Crawley	Retail	100	118,500	98	48	2.6	Dec 2013	39	39

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

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2014. Trading property development schemes are excluded from the development pipeline.

Total development cost

Refer to glossary for definition. Of the properties in the development pipeline at 31 March 2014, the only property on which interest was capitalised on the land cost was Nova, Victoria, SW1 - Phase I. The figures for total development cost include expenditure on the residential elements of Oriana, W1 - Phase II (£11.3m).

Net income/ERV

Net income/ERV represents net headline annual rent on let units plus net ERV at 31 March 2014 on unlet units.

Trading property development schemes

Property	Description of use	Ownership interest %	Size sq ft	Number of units	Sales exchanged by unit %	Estimated/ actual completion date	Total development costs to date £m	Forecast total development cost £m
Buchanan Gardens, Glasgow	Residential	Sold	45,200	49	100	Nov 2013	9	9
Kings Gate, SW1	Residential	100	108,900	100	82	May 2015	86	159
Nova, Victoria, SW1 – Phase I	Residential	50	166,400	170	68	Apr 2016	66	138

Table 10: Top 12 occupiers at 31 March 2014

	% of Group rent [1]
Accor	4.8
Central Government (including Queen Anne's Gate, SW1) [2]	4.7
Deloitte	2.6
Primark	2.2
Arcadia Group	1.8
Boots	1.7
Sainsbury's	1.6
Bank of New York Mellon	1.4
Next	1.3
Taylor Wessing	1.3
K&L Gates	1.2
Lloyds Banking Group PLC	1.0
	25.6

1. On a proportionate basis.
2. Rent from Central Government excluding Queen Anne's Gate, SW1 is 0.1%.

Table 11: Combined portfolio value by location at 31 March 2014

	Shopping centres and shops %	Retail warehouses %	Offices %	Hotels, leisure, residential & other %	Total %
Central, inner and outer London	14.1	0.1	42.5	3.8	60.5
South East and East	4.3	4.6	-	3.1	12.0
Midlands	-	1.3	-	1.0	2.3
Wales and South West	5.8	0.6	-	0.3	6.7
North, North West, Yorkshire and Humberside	8.3	2.6	0.1	2.5	13.5
Scotland and Northern Ireland	3.2	1.1	-	0.7	5.0
Total	35.7	10.3	42.6	11.4	100.0

% figures calculated by reference to the combined portfolio value of £11.9bn.

Table 12: Performance relative to IPD
Total property returns – year to 31 March 2014

	Land Securities %	IPD [1] %
Retail – Shopping centres	8.2	7.7
– Retail warehouses	8.5 [2]	8.9
Central London shops	24.1	24.3
Central London offices	15.6 [3]	20.6
Total portfolio [4]	12.8	13.6

1. IPD Quarterly Universe
2. Including supermarkets
3. Including Inner London offices
4. Including leisure, hotel portfolio and other

Table 13: Total cost ratio

Gross rental income (after rents payable)	631.4
Net service charge expense	(3.4)
Direct property expenditure	(34.0)
Net rental income	**594.0**
Indirect costs	(47.2)
Segment profit before interest	**546.8**
Unallocated expenses (net)	(36.5)
Net interest - Group	(168.0)
Net interest - joint ventures	(22.7)
Revenue profit	**319.6**

Direct property costs	**£37.4m**
Indirect Expenses	**£83.7m**
Total	**£121.1m**
Total cost ratio[1]	**18.8%**

	Year ended 31 March 2014		Year ended 31 March 2014	
	Total £m	**Cost ratio %[1]**	Total £m	Cost ratio %[1]
Managed operations	**9.7**	**1.5**	9.4	1.6
Tenant default	**5.3**	**0.8**	8.3	1.4
Void related costs	**11.7**	**1.9**	12.5	2.1
Other direct property costs	**3.9**	**0.6**	9.4	1.6
Development expenditure	**25.9**	**4.0**	17.8	2.9
Asset management, administration and compliance	**64.6**	**10.0**	61.6	10.2
Total	**121.1**	**18.8**	119.0	19.7

1. All percentages represent costs divided by gross rental income including finance leases before rents payable.

Table 14: Combined portfolio analysis
Like-for-like segmental analysis

	Market value [1]		Valuation movement [2]		Rental income [3]		Annualised rental income [4]	Annualised net rent [5]		Net estimated rental value [6]	
	31 March 2014	31 March 2013	**Surplus/ (deficit)**	**Surplus/ (deficit)**	**31 March 2014**	31 March 2013	**31 March 2014**	**31 March 2014**	31 March 2013	**31 March 2014**	31 March 2013
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	**£m**	£m	£m	£m
Retail Portfolio											
Shopping centres and shops	**2,410.3**	2,341.4	**54.4**	**2.3%**	**175.1**	172.7	**174.6**	**166.8**	162.5	**162.7**	160.9
Retail warehouses and food stores	**1,122.5**	1,106.1	**(3.3)**	**(0.3%)**	**70.7**	68.3	**68.7**	**66.9**	68.1	**69.8**	70.8
Leisure and hotels	**502.1**	471.1	**30.6**	**6.5%**	**33.7**	33.3	**33.6**	**33.6**	33.2	**33.9**	33.0
Other	**33.8**	31.6	**1.6**	**5.0%**	**4.2**	4.0	**3.0**	**2.8**	3.6	**3.5**	4.2
Total Retail Portfolio	**4,068.7**	3,950.2	**83.3**	**2.1%**	**283.7**	278.3	**279.9**	**270.1**	267.4	**269.9**	268.9
London Portfolio											
West End	**1,537.6**	1,441.7	**90.3**	**6.5%**	**80.4**	85.6	**81.9**	**76.1**	81.9	**74.3**	74.2
City	**556.3**	507.6	**47.9**	**9.7%**	**25.8**	26.5	**26.0**	**26.3**	23.6	**32.2**	31.6
Mid-town	**941.7**	885.8	**53.5**	**7.1%**	**42.4**	41.5	**43.9**	**41.9**	41.2	**49.7**	48.7
Inner London	**316.2**	301.7	**8.3**	**4.1%**	**20.3**	20.4	**19.9**	**20.3**	18.0	**20.8**	19.6
Total London offices	**3,351.8**	3,136.8	**200.0**	**7.0%**	**168.9**	174.0	**171.7**	**164.6**	164.7	**177.0**	174.1
Central London shops	**876.3**	746.5	**125.3**	**16.8%**	**36.5**	35.7	**37.2**	**36.5**	33.8	**47.2**	44.1
Other	**72.9**	68.9	**3.4**	**5.1%**	**1.9**	2.0	**2.0**	**2.0**	2.0	**2.2**	2.1
Total London Portfolio	**4,301.0**	3,952.2	**328.7**	**9.0%**	**207.3**	211.7	**210.9**	**203.1**	200.5	**226.4**	220.3
Like-for-like portfolio [10]	**8,369.7**	7,902.4	**412.0**	**5.4%**	**491.0**	490.0	**490.8**	**473.2**	467.9	**496.3**	489.2
Proposed developments [3]	**-**	-	**-**	**-**	**-**	-	**-**	**-**	-	**-**	-
Completed developments [3]	**1,170.2**	1,039.3	**59.3**	**5.7%**	**53.1**	29.2	**54.7**	**51.4**	28.6	**63.2**	63.8
Acquisitions [11]	**802.4**	563.0	**8.8**	**1.1%**	**48.3**	11.5	**59.4**	**57.0**	34.9	**54.3**	39.5
Sales and restructured interests [12]	**-**	884.1	**-**	**-**	**36.1**	63.9	**-**	**-**	60.1	**-**	59.3
Development programme [13]	**1,517.1**	1,057.6	**273.8**	**22.3%**	**16.5**	9.9	**35.5**	**8.7**	4.6	**137.0**	93.8
Combined portfolio	**11,859.4**	11,446.4	**753.9**	**7.1%**	**645.0**	604.5	**640.4**	**590.3**	596.1	**750.8**	745.6
Surplus on investment property reclassified as trading			**9.9**	**18.4%**							
Properties treated as finance leases					**(10.9)**	(11.5)					
Combined portfolio			**763.8**	**7.1%**	**634.1**	593.0					

Total portfolio analysis

	31 March 2014	31 March 2013	**Surplus/ (deficit)**	**Surplus/ (deficit)**	**31 March 2014**	31 March 2013	**31 March 2014**	**31 March 2014**	31 March 2013	**31 March 2014**	31 March 2013
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	**£m**	£m	£m	£m
Retail Portfolio											
Shopping centres and shops	**3,020.4**	3,161.3	**71.8**	**2.5%**	**223.1**	207.9	**206.5**	**193.7**	199.7	**199.0**	220.6
Retail warehouses and food stores	**1,210.4**	1,183.0	**8.6**	**0.7%**	**71.6**	69.2	**72.4**	**68.3**	68.8	**75.1**	78.1
Leisure and hotels	**1,231.7**	968.8	**36.2**	**3.1%**	**79.2**	44.2	**89.4**	**87.2**	67.8	**84.6**	69.2
Other	**36.8**	34.9	**1.4**	**4.0%**	**4.3**	4.0	**3.1**	**2.9**	3.6	**3.6**	4.2
Total Retail Portfolio	**5,499.3**	5,348.0	**118.0**	**2.2%**	**378.2**	325.3	**371.4**	**352.1**	339.9	**362.3**	372.1
London Portfolio											
West End	**2,312.8**	2,065.0	**180.9**	**8.8%**	**94.2**	92.0	**100.6**	**80.3**	84.5	**140.7**	137.2
City	**1,423.9**	1,115.5	**209.8**	**18.0%**	**42.1**	41.1	**54.1**	**45.3**	33.4	**90.6**	70.6
Mid-town	**989.6**	917.1	**57.5**	**7.2%**	**42.4**	44.8	**43.9**	**41.9**	41.2	**65.6**	48.7
Inner London	**316.2**	770.6	**8.3**	**4.1%**	**33.6**	41.8	**19.9**	**20.3**	45.7	**20.8**	47.3
Total London offices	**5,042.5**	4,868.2	**456.5**	**10.8%**	**212.3**	219.7	**218.5**	**187.8**	204.8	**317.7**	303.8
Central London shops	**1,220.6**	1,110.8	**168.8**	**16.1%**	**52.1**	56.7	**48.5**	**48.4**	49.4	**68.4**	67.2
Other	**97.0**	119.4	**10.6**	**12.8%**	**2.4**	2.8	**2.0**	**2.0**	2.0	**2.4**	2.5
Total London Portfolio	**6,360.1**	6,098.4	**635.9**	**11.9%**	**266.8**	279.2	**269.0**	**238.2**	256.2	**388.5**	373.5
Combined portfolio	**11,859.4**	11,446.4	**753.9**	**7.1%**	**645.0**	604.5	**640.4**	**590.3**	596.1	**750.8**	745.6
Surplus on investment property reclassified as trading			**9.9**	**18.4%**							
Properties treated as finance leases					**(10.9)**	(11.5)					
Combined portfolio			**763.8**	**7.1%**	**634.1**	593.0					
Represented by:											
Investment portfolio	**10,260.4**	9,845.0	**608.5**	**6.6%**	**569.9**	520.6	**559.4**	**521.5**	515.1	**641.7**	622.8
Share of joint ventures	**1,599.0**	1,601.4	**155.3**	**10.5%**	**75.1**	83.9	**81.0**	**68.8**	81.0	**109.1**	122.8
Combined portfolio	**11,859.4**	11,446.4	**763.8**	**7.1%**	**645.0**	604.5	**640.4**	**590.3**	596.1	**750.8**	745.6

Table 14: Combined portfolio analysis continued
Like-for-like segmental analysis

	Gross estimated rental value [7]		Net initial yield [8]		Equivalent yield [9]		Voids (by ERV) [3]	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013	**31 March 2014**	31 March 2013	**31 March 2014**	31 March 2013
	£m	£m	**%**	%	**%**	%	**%**	%
Retail Portfolio								
Shopping centres and shops	**173.4**	172.1	**5.9%**	6.1%	**6.0%**	6.1%	**3.5%**	3.7%
Retail warehouses and food stores	**70.5**	71.4	**5.5%**	5.5%	**5.8%**	5.9%	**0.6%**	1.1%
Leisure and hotels	**33.9**	33.0	**6.4%**	6.7%	**6.4%**	6.7%	**-**	-
Other	**3.6**	4.3	**5.1%**	5.7%	**8.0%**	8.2%	**22.2%**	25.6%
Total Retail Portfolio	**281.4**	280.8	**5.8%**	6.0%	**6.0%**	6.2%	**2.6%**	2.9%
London Portfolio								
West End	**74.3**	74.2	**4.7%**	5.2%	**5.0%**	5.4%	**2.0%**	1.3%
City	**32.4**	31.8	**4.5%**	4.7%	**5.1%**	5.5%	**-**	0.3%
Mid-town	**50.8**	49.8	**4.0%**	4.4%	**4.9%**	5.1%	**3.3%**	0.8%
Inner London	**20.8**	19.6	**5.6%**	5.5%	**5.9%**	6.4%	**1.4%**	1.5%
Total London offices	**178.3**	175.4	**4.6%**	4.9%	**5.1%**	5.5%	**2.0%**	1.0%
Central London shops	**47.5**	44.4	**3.8%**	4.3%	**4.9%**	5.3%	**0.4%**	0.5%
Other	**2.2**	2.1	**2.3%**	2.6%	**2.5%**	2.7%	**-**	-
Total London Portfolio	**228.0**	221.9	**4.4%**	4.8%	**5.0%**	5.4%	**1.6%**	0.9%
Like-for-like portfolio [10]	**509.4**	502.7	**5.1%**	5.4%	**5.5%**	5.8%	**2.1%**	2.0%
Proposed developments [3]	**-**	-	**-**	-	**n/a**	n/a	**n/a**	n/a
Completed developments [3]	**63.7**	64.2	**4.1%**	2.2%	**5.1%**	5.2%	**n/a**	n/a
Acquisitions [11]	**54.4**	39.7	**6.0%**	5.8%	**6.4%**	n/a	**n/a**	n/a
Sales and restructured interests [12]	**-**	60.6	**0.9%**	5.9%	**n/a**	n/a	**n/a**	n/a
Development programme [13]	**137.0**	93.9	**0.3%**	0.3%	**5.0%**	5.3%	**n/a**	n/a
Combined portfolio	**764.5**	761.1	**4.4%**	4.7%	**5.4%**	n/a	**n/a**	n/a

Total portfolio analysis

	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£m	£m	**%**	%
Retail Portfolio				
Shopping centres and shops	**209.6**	232.6	**5.5%**	5.4%
Retail warehouses and food stores	**75.8**	78.7	**5.1%**	5.1%
Leisure and hotels	**84.7**	69.3	**6.3%**	6.4%
Other	**3.7**	4.3	**5.0%**	5.2%
Total Retail Portfolio	**373.8**	384.9	**5.6%**	5.5%
London Portfolio				
West End	**140.8**	137.0	**3.2%**	3.8%
City	**91.1**	71.0	**3.0%**	3.0%
Mid-town	**66.7**	49.8	**3.8%**	4.3%
Inner London	**20.8**	48.2	**5.6%**	5.7%
Total London offices	**319.4**	306.0	**3.4%**	4.0%
Central London shops	**68.9**	67.7	**3.6%**	4.0%
Other	**2.4**	2.5	**1.8%**	1.5%
Total London Portfolio	**390.7**	376.2	**3.4%**	3.9%
Combined portfolio	**764.5**	761.1	**4.4%**	4.7%
Represented by:				
Investment portfolio	**653.4**	636.2	**4.6%**	4.7%
Share of joint ventures	**111.1**	124.9	**3.6%**	4.5%
Combined portfolio	**764.5**	761.1	**4.4%**	4.7%

Notes:

1. The market value figures are determined by the Group's external valuers.
2. The valuation movement is stated after adjusting for the effect of SIC 15 under IFRS.
3. Refer to glossary for definition.
4. Annualised rental income is annual 'rental income' (as defined in the glossary) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
5. Annualised net rent is annual cash rent, after the deduction of ground rents, as at the balance sheet date. It is calculated with the same methodology as annualised rental income but is stated net of ground rent and before SIC15 adjustments.
6. Net estimated rental value is gross estimated rental value, as defined in the glossary, after deducting expected ground rents.
7. Gross estimated rental value (ERV) - refer to glossary for definition. The figure for proposed developments relates to the existing buildings and not the schemes proposed.
8. Net initial yield - refer to glossary for definition. This calculation includes all properties including those sites with no income.
9. Equivalent yield – refer to glossary for definition. Proposed developments are excluded from the calculation of equivalent yield on the combined portfolio.
10. The like-for-like portfolio – refer to glossary for definition. Capital expenditure on refurbishments, acquisitions of head leases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table.
11. Includes all properties acquired since 1 April 2012.
12. Includes all properties sold since 1 April 2012.
13. The development programme - refer to glossary for definition. Net initial yield figures are only calculated for properties in the development programme that have reached practical completion.

Table 15: Lease lengths

	Unexpired lease term at 31 March 2014	
	Like-for-like portfolio Mean (1) Years	Like-for-like portfolio, completed developments and acquisitions Mean (1) Years
Retail Portfolio		
Shopping centres and shops	7.3	7.9
Retail warehouses and food stores	8.7	9.2
Leisure and hotels	5.8	9.6
Total Retail Portfolio	7.5	8.6
London Portfolio		
West End	8.7	8.6
City	6.4	7.5
Mid-town	11.0	11.0
Inner London	13.0	13.0
Total London offices	9.4	9.4
Central London shops	9.3	9.0
Total London Portfolio	9.7	9.6
Combined portfolio	**8.5**	**9.0**

1. Mean is the rent-weighted average remaining term on leases subject to lease expiry/break clauses.

Table 16: Development pipeline financial summary

	Cumulative movements on the development programme to 31 March 2014						Total scheme details [1]				
	Market value at start of scheme	Capital expenditure incurred to date	Capitalised interest to date	Valuation surplus to date [2]	Disposals, SIC15 rent and other adjustments	Market value at 31 March 2014	Estimated total capital expenditure [3]	Estimated total capitalised interest	Estimated total development cost [4]	Net Income / ERV [5]	Valuation surplus for the year ended 31 March 2014 [2]
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Developments let and transferred or sold											
Shopping centres and shops	97.5	304.5	22.6	142.2	18.8	585.6	300.8	22.6	420.9	34.1	16.4
Retail warehouses and food stores	15.5	38.6	1.3	15.1	(22.5)	48.0	35.5	1.3	39.3	2.6	8.8
London Portfolio	-	-	-	-	-	-	-	-	-	-	-
	113.0	343.1	23.9	157.3	(3.7)	633.6	336.3	23.9	460.2	36.7	25.2
Developments after practical completion, approved or in progress											
Shopping centres and shops	-	-	-	-	-	-	-	-	-	-	-
Retail warehouses and food stores	18.0	9.2	0.2	9.1	-	36.5	20.8	0.4	39.2	2.7	4.8
London Portfolio	551.4	485.9	31.9	496.6	(85.2)	1,480.6	919.8	70.8	1,542.0	136.7	277.9
	569.4	495.1	32.1	505.7	(85.2)	1,517.1	940.6	71.2	1,581.2	139.4	282.7
	Movement on proposed developments for the year to 31 March 2014										
Proposed developments											
Shopping centres and shops	-	-	-	-	-	-	-	-	-	-	-
Retail warehouses and food stores	-	-	-	-	-	-	-	-	-	-	-
London Portfolio	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-

Notes:

1. Total scheme details exclude properties sold in the year.
2. Includes profit realised on the disposal of investment properties and a £9.9m surplus on investment properties transferred to trading properties, of which £1.0m relates to developments let and transferred or sold.
3. For proposed development properties the estimated total capital expenditure represents the outstanding costs required to complete scheme as at the year-end. There were no properties within proposed developments at 31 March 2014.
4. Includes the property at its market value at the start of the financial year in which the property was added to the development programme together with estimated capitalised interest. For proposed development properties, the market value of properties at the year-end is included in the estimated total cost. Estimated total development cost includes the cost of residential properties in the development programme (£11.3m for the London Portfolio). Estimated costs for proposed schemes could still be subject to material change prior to final approval.
5. Net headline annual rent on let units plus net ERV at 31 March 2014 on un-let units.

Table 17: Reconciliation of segment reporting to statutory reporting

The table below reconciles the Group's income statement to the segment note. The Group's income statement is prepared using the equity accounting method for joint ventures and includes 100% of the results of the Group's non-wholly owned subsidiaries. The segment note is prepared on a proportionately consolidated basis and excludes the non-wholly owned share of the Group's subsidiaries, which is consistent with the financial information reviewed by management.

	31 March 2014					
£m	Group income statement	Joint ventures [1]	Proportionate share of earnings [2]	Total	Revenue profit	Non-revenue profit items
Rental income	569.4	75.3	(10.6)	**634.1**	634.1	-
Finance lease interest	10.9	0.2	(0.2)	**10.9**	10.9	-
Gross rental income (before rents payable)	**580.3**	**75.5**	**(10.8)**	**645.0**	**645.0**	**-**
Rents payable	(11.8)	(1.9)	0.1	**(13.6)**	(13.6)	-
Gross rental income (after rents payable)	**568.5**	**73.6**	**(10.7)**	**631.4**	**631.4**	**-**
Service charge income	86.6	9.6	(2.1)	**94.1**	94.1	-
Service charge expense	(89.0)	(10.9)	2.4	**(97.5)**	(97.5)	-
Net service charge (expense)/ income	(2.4)	(1.3)	0.3	**(3.4)**	(3.4)	-
Other property related income	34.8	1.4	0.6	**36.8**	36.8	-
Direct property expenditure	(58.6)	(13.0)	0.8	**(70.8)**	(70.8)	-
Net rental income	**542.3**	**60.7**	**(9.0)**	**594.0**	**594.0**	**-**
Indirect expenses	(84.6)	(2.9)	0.2	**(87.3)**	(87.3)	-
Other income	3.6	-	-	**3.6**	3.6	-
	461.3	**57.8**	**(8.8)**	**510.3**	**510.3**	**-**
Profit on disposal of long-term development contracts	-	1.0	-	**1.0**	-	1.0
Profit on disposal of trading properties	1.9	0.5	-	**2.4**	-	2.4
Profit on disposal of investment properties	15.6	0.4	-	**16.0**	-	16.0
Profit on disposal of investments in joint ventures	2.5	-	-	**2.5**	-	2.5
Net surplus on revaluation of investment properties	606.6	155.4	1.8	**763.8**	-	763.8
Impairment release/(charge) on trading properties	5.3	(0.3)	-	**5.0**	-	5.0
Operating profit	**1,093.2**	**214.8**	**(7.0)**	**1,301.0**	**510.3**	**790.7**
Interest expense	(216.9)	(22.7)	4.1	**(235.5)**	(215.9)	(19.6)
Interest income	25.2	-	-	**25.2**	25.2	-
Fair value movement on interest rate swaps	12.5	4.8	(2.1)	**15.2**	-	15.2
Revaluation of redemption liabilities	(5.6)	-	5.0	**(0.6)**	-	(0.6)
Net gain on business combination	5.0	-	-	**5.0**	-	5.0
	913.4	**196.9**	**-**	**1,110.3**	**319.6**	**790.7**
JV tax adjustment	-	(1.1)	-	**(1.1)**	-	(1.1)
JV net liability adjustment	-	(0.3)	-	**(0.3)**	-	(0.3)
Share of post-tax profit from joint ventures	195.5	(195.5)	-	**-**	-	-
Profit before tax	**1,108.9**	**-**	**-**	**1,108.9**	**319.6**	**789.3**
Income tax	7.7	-	-	**7.7**	-	7.7
Profit for the year	**1,116.6**	**-**	**-**	**1,116.6**	**319.6**	**797.0**

1. Reallocation of the share of post-tax profit from joint ventures reported in the Group income statement to the individual line items reported in the segment note.
2. Removal of the share of results of the Group's non-wholly owned subsidiaries. These subsidiaries are consolidated at 100% in the Group income statement, but only the Group's share is included in revenue profit reported in the segment note.

Glossary

Adjusted earnings per share (EPS)
Earnings per share based on revenue profit after related tax.

Adjusted net asset value (NAV) per share
NAV per share adjusted to remove the effect of the de-recognition of the 2004 bond exchange and cumulative fair value movements on interest-rate swaps and similar instruments.

Adjusted net debt
Net debt excluding cumulative fair value movements on interest-rate swaps, the adjustment arising from the de-recognition of the bond exchange and amounts payable under finance leases. It generally includes the net debt of subsidiaries and joint ventures on a proportionate basis.

Average unexpired lease term
The weighted average of the unexpired term of all leases other than short-term lettings such as car parks and advertising hoardings, temporary lettings of less than one year, residential leases and long ground leases.

Book value
The amount at which assets and liabilities are reported in the financial statements.

BREEAM
Building Research Establishment's Environmental Assessment Method.

Combined portfolio
The combined portfolio comprises the investment properties of the Group's subsidiaries, on a proportionately consolidated basis when not wholly owned, together with our share of investment properties held in our joint ventures. Unless stated otherwise, references are to the combined portfolio when the investment property business is discussed.

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2012.

Development pipeline
The development programme together with proposed developments.

Development programme
The development programme consists of committed developments (Board approved projects with the building contract let), authorised developments (Board approved), projects under construction and developments which have reached practical completion within the last two years but are not yet 95% let.

Diluted figures
Reported results adjusted to include the effects of potentially dilutive shares issuable under employee share schemes.

DRIP (Dividend Reinvestment Plan)
This is when shareholders are offered the opportunity to use cash dividends received to purchase additional shares in the company immediately after the dividend payment date.

Earnings per share (EPS)
Profit after taxation attributable to owners of the Parent divided by the weighted average number of ordinary shares in issue during the period.

EPRA
European Public Real Estate Association.

EPRA net initial yield
EPRA net initial yield is defined within EPRA's Best Practice Recommendations as the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property. It is consistent with the net initial yield calculated by the Group's external valuers.

Equivalent yield
Calculated by the Group's external valuers, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and such items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.

ERV - Gross estimated rental value
The estimated market rental value of lettable space as determined biannually by the Group's external valuers.

Fair value movement
An accounting adjustment to change the book value of an asset or liability to its market value (see also mark-to-market adjustment).

Finance lease
A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

Gearing
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus cumulative fair value movements on financial derivatives as a percentage of total equity. For adjusted gearing, see note 13 in the financial statements.

Gross market value
Market value plus assumed usual purchaser's costs at the reporting date.

Head lease
A lease under which the Group holds an investment property.

Interest Cover Ratio (ICR)
A calculation of a company's ability to meet its interest payments on outstanding debt. It is calculated using revenue profit before interest, divided by net interest (excluding the mark-to-market movement on interest-rate swaps, bond exchange de-recognition, capitalised interest and interest on the pension scheme assets and liabilities). The calculation excludes joint ventures.

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

Investment portfolio
The investment portfolio comprises the investment properties of the Group's subsidiaries, on a proportionately consolidated basis where not wholly owned.

Joint venture
An entity in which the Group holds an interest and is jointly controlled by the Group and one or more partners under a contractual arrangement. Decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

Lease incentives
Any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs. For accounting purposes the value of the incentive is spread over the non-cancellable life of the lease.

LIBOR
The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money, often used as a reference rate in bank facilities.

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2012, but excluding those which are acquired, sold or included in the development pipeline at any time since that date.

Like-for-like managed properties
Properties in the like-for-like portfolio other than those in our joint ventures which we do not manage operationally.

Loan-to-value (LTV)
Group LTV is the ratio of adjusted net debt, including subsidiaries and joint ventures, to the sum of the market value of investment properties and the book value of trading properties of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage. For the Security Group, LTV is the ratio of net debt lent to the Security Group divided by the value of secured assets.

Market value
Market value is determined by the Group's external valuers, in accordance with the RICS Valuation Standards, as an opinion of the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing.

Mark-to-market adjustment
An accounting adjustment to change the book value of an asset or liability to its market value (see also fair value movement).

Net asset value (NAV) per share
Equity attributable to owners of the Parent divided by the number of ordinary shares in issue at the period end.

Net initial yield
Net initial yield is a calculation by the Group's external valuers of the yield that would be received by a purchaser, based on the Estimated Net Rental Income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchasers' costs at the reporting date. The calculation is in line with EPRA guidance.

Estimated Net Rental Income is the passing cash rent less ground rent at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.

Outline planning consent
This gives consent in principle for a development, and covers matters such as use and building mass. Full details of the development scheme must be provided in an application for 'reserved matters approval', including detailed layout, scale, appearance, access and landscaping, before a project can proceed. An outline planning permission will lapse if the submission of 'reserved matters' have not been made within three years, or if it has not been implemented within three years or within two years of the final approval of 'reserved matters', unless otherwise expressly stated within conditions attached to the permission itself or, for any permissions granted on or before 1 October 2009, a successful application has been made to extend the time within which 'reserved matters' application can be submitted, or the overall limit for commencement of development.

Over-rented
Space where the passing rent is above the ERV.

Passing cash rent
The estimated annual rent receivable as at the reporting date which includes estimates of turnover rent and estimates of rent to be agreed in respect of outstanding rent review or lease renewal negotiations. Passing cash rent may be more or less than the ERV (see over-rented, reversionary and ERV). Passing cash rent excludes annual rent receivable from units in administration save to the extent that rents are expected to be received. Void units and units that are in a rent-free period at the reporting date are deemed to have no passing cash rent. Although temporary lets of less than 12 months are treated as void, income from temporary lets is included in passing cash rents.

Pre-let
A lease signed with an occupier prior to completion of a development.

Pre-development properties
Pre-development properties are those properties within the like-for-like portfolio which are being managed to align vacant possession within a three year horizon with a view to redevelopment.

Property income distribution (PID)
A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

Proposed developments
Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied, but which are more likely to proceed than not.

Qualifying activities/Qualifying assets
The ownership (activity) of property (assets) which is held to earn rental income and qualifies for tax-exempt treatment (income and capital gains) under UK REIT legislation.

Real Estate Investment Trust (REIT)
A REIT must be a publicly quoted company with at least three-quarters of its profits and assets derived from a qualifying property rental business. Income and capital gains from the property rental business are exempt from tax but the REIT is required to distribute at least 90% of those profits to shareholders. Corporation tax is payable on non-qualifying activities in the normal way.

Rental value change
Increase or decrease in the current rental value, as determined by the Group's external valuers, over the reporting period on a like-for-like basis.

Rental income
Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with SIC 15. It is stated gross, prior to the deduction of ground rents and without deduction for operational outgoings on car park and commercialisation activities.

Return on average capital employed
Group profit before interest, plus joint venture profit before interest, divided by the average capital employed (defined as shareholders' funds plus adjusted net debt).

Return on average equity
Group profit before tax plus joint venture tax divided by the average equity shareholders' funds.

Revenue profit
Profit before tax, excluding profits on the sale of non-current assets and trading properties, profits on long-term development contracts, valuation movements, fair value movements on interest-rate swaps and similar instruments used for hedging purposes, the adjustment to interest payable resulting from the amortisation of the bond exchange de-recognition adjustment, debt restructuring charges and any items of an unusual nature.

Reversionary or under-rented
Space where the passing rent is below the ERV.

Reversionary yield
The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.

Scrip dividend
A scrip dividend is when shareholders are offered the opportunity to receive dividends in the form of shares instead of cash.

Security Group
Security Group is the principal funding vehicle for Land Securities and properties held in the Security Group are mortgaged for the benefit of lenders. It has the flexibility to raise a variety of different forms of finance.

Temporary lettings
Lettings for a period of one year or less. These are included within voids.

Topped-up net initial yield
Topped-up net initial yield is a calculation by the Group's external valuers. It is calculated by making an adjustment to net initial yield in respect of the annualised cash rent foregone through unexpired rent-free periods and other lease incentives. The calculation is consistent with EPRA guidance.

Total business return
Dividend paid per share, plus the change in adjusted diluted net asset value per share, divided by the adjusted diluted net asset value per share at the beginning of the year.

Total cost ratio
Total cost ratio represents all costs included within revenue profit, other than rents payable and financing costs, expressed as a percentage of gross rental income before rents payable.

Total development cost (TDC)
Total development cost refers to the book value of the site at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group’s borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. The TDC for trading property development schemes excludes any estimated tax on disposal.

Total property return
Valuation movement, profit/(loss) on property sales and net rental income in respect of investment properties expressed as a percentage of opening book value, together with the time weighted value for capital expenditure incurred during the current year, on the combined property portfolio.

Total Shareholder Return (TSR)
The growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

Trading properties
Properties held for trading purposes and shown as current assets in the balance sheet.

Turnover rent
Rental income which is related to an occupier’s turnover.

Voids
Voids are expressed as a percentage of ERV and represent all unlet space, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Temporary lettings for a period of one year or less are also treated as voids.

Weighted average cost of capital (WACC)
Weighted average cost of debt and notional cost of equity, used as a benchmark to assess investment returns.

Yield shift
A movement (negative or positive) in the equivalent yield of a property asset.

Zone A
A means of analysing and comparing the rental value of retail space by dividing it into zones parallel with the main frontage. The most valuable zone, Zone A, is at the front of the unit. Each successive zone is valued at half the rate of the zone in front of it.