

LAND SECURITIES PROPERTIES LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2003



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LAND SECURITIES PROPERTIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2003

The directors present their report and the audited financial statements for the year ended 31 March 2003.

RESULTS FOR THE YEAR AND DIVIDEND

The results are set out in the Profit and Loss Account on page 6.

The directors do not recommend payment of a final dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

During the year the Company has continued to provide management services for its ultimate parent company and other group undertakings. There will be no change in the Company's principal activities in the foreseeable future.

The gross income represents intercompany management fees receivable less property management and administration expenses.

As explained in Note 19 to the Financial Statements, on 6 September 2002 the entire share capital of Land Securities PLC, the previous ultimate parent company, was acquired by Land Securities Group PLC under a court-approved scheme of arrangement.

DIRECTORS

The directors who held office during the year were:

I J Henderson
M R Griffiths (resigned 8 July 2002)
N W Johnson
A R F Strange
N A C Moore (resigned 20 December 2002)
M A Bird
R H DeBarr
R W Heskett
R D S Nevett
F W Salway
J H F Anderson
A E Macfarlane
R S Bushell

The interests of the directors in the shares of the Company were nil throughout the year.

I J Henderson, F W Salway and A E Macfarlane are directors of Land Securities Group PLC, the ultimate parent company, and their interests in that company are shown in its Report and Financial Statements for the year ended 31 March 2003. The ultimate parent company registers of directors' share and debenture interests and holdings of options, which are open to inspection at its registered office, contain full details of their share holdings and share options.

LAND SECURITIES PROPERTIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2003

The beneficial interests of the other directors in the shares and debentures of Land Securities Group PLC and their holdings of options over shares in that company are set out below and on page 3. Interests in the shares disclosed as at 1 April 2002 are the interests held in the previous ultimate parent company, Land Securities PLC.

Interest in Ordinary Shares	Land Securities Group PLC 31 March 2003	Land Securities PLC 1 April 2002
N W Johnson	440	3,285
A R F Strange	16,386	18,023
M A Bird	18,274	19,270
R H DeBarr	26,662	17,025
R W Heskett	7,845	11,101
R D S Nevett	16,923	15,071
F W Salway	11,064	8,108
J H F Anderson	6,782	6,039

Interest in B Shares	Land Securities Group PLC 31 March 2003	Land Securities PLC 1 April 2002
N W Johnson	2,150	-
A R F Strange	16,859	-
M A Bird	1,402	-
R H DeBarr	1,646	-
R W Heskett	7,450	-
R D S Nevett	1,481	-
F W Salway	2,293	-

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

LAND SECURITIES PROPERTIES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2003 (CONTINUED)
DIRECTORS (continued)

Options over Ordinary Shares

	Granted during year			Exercised during year			Lapsed during the year			Options at 31 March 2003	
	No. of Options at 1 April	No.	Grant Price (pence)	No.	Exercise Price (pence)	Market Price on Exercise (pence)	No.	Exercise Price (pence)	No.	Exercise Price (pence)	Exercisable dates
J H F Anderson	75,000	10,000	812.00	-	-	-	-	85,000	834.30	*	11/2003 - 07/2012
	-	1,461	650.00	-	-	-	-	1,461	650.00	*	07/2005
M A Bird	37,500	5,000	812.00	-	-	-	-	42,500	768.50	*	07/1997 - 07/2012
	1,180	2,546	650.00	(1,180)	672.00	750.00	-	2,546	650.00	*	07/2007
R H De Barr	50,500	10,000	812.00	(10,000)	618.60	743.00	-	50,500	833.50	*	09/2003 - 07/2012
	2,525	-	-	-	-	-	-	2,525	673.80	*	07/2003 - 07/2005
R W Heskett	45,500	1,500	812.00	-	-	-	-	47,000	841.10	*	09/2003 - 07/2012
	2,861	1,659	650.00	-	-	-	-	4,520	660.00	*	07/2004 - 10/2009
N W Johnson	28,500	5,000	812.00	-	-	-	-	33,500	831.20	*	09/2003 - 07/2012
	2,756	876	650.00	(232) (1,540)	504.00 672.00	725.00 725.00	-	1,860	671.60	*	07/2003 - 07/2006
R Nevett	45,000	5,000	812.00	-	-	-	-	50,000	847.50	*	09/2003 - 07/2012
	5,236	1,106	650.00	(2,321)	504.00	725.00	-	4,021	646.70	*	07/2004 - 07/2009
A R Strange	52,250	6,000	812.00	-	-	-	-	58,250	791.60	*	07/1997 - 07/2012
	2,332	-	-	-	-	-	-	2,332	683.60	*	07/2004 - 07/2005

* weighted average exercise price

The range of the closing middle market prices for Land Securities shares during the year was 679p to 984p. The middle market price at 31 March 2003 was 733p.

Four directors exercised options during the year.

Share options at 1 April are held under the 1984 Executive Share Option Scheme which expired on 24 April 1995, except for those shown in bold which are held under the 1983 and 1993 Savings Related Share Option Schemes. Options granted during the year were under the Land Securities PLC 2000 Executive Share Option Scheme, the Land Securities Group PLC 2002 Executive Share Option Scheme, or the 1993 Savings Related Share Option Scheme (if shown in bold).

Options granted under the savings related schemes are exercisable after three, five and seven years from date of grant and are not subject to any performance conditions.

All share options at 31 March 2003 relate to Land Securities Group PLC.

All share options at 31 March 2002 relate to Land Securities PLC.

LAND SECURITIES PROPERTIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2003

DIRECTORS' RESPONSIBILITIES

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

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

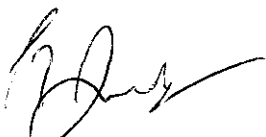
It is also the responsibility of the directors to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

AUDITORS

Following conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors.

In accordance with Section 385 of the Companies Act 1985, a resolution will be put to the members at the Annual General Meeting to reappoint the auditors, PricewaterhouseCoopers LLP.



By Order of the Board
P M Dudgeon,
Secretary

Registered Office
5 Strand
London WC2N 5AF

21 May 2003

Registered in England and Wales
Company No. 961477

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LAND SECURITIES PROPERTIES LIMITED

We have audited the financial statements on pages 6 to 22 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

21 May 2003

LAND SECURITIES PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2003

	<u>Notes</u>	<u>2003</u> £	<u>2002</u> £
Management fees receivable		87,330,441	53,230,574
Income from shares in group undertakings		-	1,986,012
Property management and administration expenses	2	(70,466,532)	(49,870,844)
Profit on disposal of shares in a subsidiary undertaking		64,852	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		16,928,761	5,345,742
Interest receivable and similar income	3	984,729	442,024
Interest payable and similar charges	4	(12,315)	(466,005)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		17,901,175	5,321,761
Taxation	5	(6,974,297)	(2,246,967)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		10,926,878	3,074,794
Equity dividend		-	(3,074,794)
RETAINED PROFIT FOR THE FINANCIAL YEAR		10,926,878	-
BALANCE BROUGHT FORWARD		-	-
BALANCE CARRIED FORWARD		10,926,878	-

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

There are no recognised profits or losses other than the profit on ordinary activities after taxation.

The notes on pages 9 to 22 form an integral part of these financial statements.

LAND SECURITIES PROPERTIES LIMITED

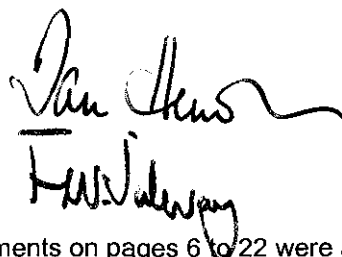
BALANCE SHEET-31 MARCH 2003

	<u>Notes</u>	<u>2003</u> £	<u>2002</u> <u>(restated)</u> £
FIXED ASSETS			
Tangible assets	9	10,983,552	17,687,452
Investments in group undertakings	10	-	2
		<u>10,983,552</u>	<u>17,687,454</u>
CURRENT ASSETS			
Debtors falling due within one year	11	37,727,061	9,353,675
Debtors falling due after one year	11	6,936,011	613,661
Investments : short term deposits		-	24,900,000
Cash at bank and in hand		77,711	6,044
		<u>44,740,783</u>	<u>34,873,380</u>
CREDITORS falling due within one year	12	(44,722,115)	(51,188,124)
NET CURRENT LIABILITIES		<u>18,668</u>	<u>(16,314,744)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,002,220</u>	<u>1,372,710</u>
CREDITORS falling due after more than one year			
Other creditors	13	(75,340)	(75,340)
PROVISIONS FOR LIABILITIES AND CHARGES	14	-	(1,297,368)
		<u>10,926,880</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	15	2	2
Revaluation reserve	16	-	-
Profit and loss account	16	10,926,878	-
EQUITY SHAREHOLDERS' FUNDS		<u>10,926,880</u>	<u>2</u>

DIRECTORS

I J Henderson

F W Salway



The financial statements on pages 6 to 22 were approved by the directors on 21 May 2003.

LAND SECURITIES PROPERTIES LIMITED

OTHER PRIMARY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2003

<u>2003</u>	<u>2002</u>
£	£

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Profit on ordinary activities after taxation (page 6)	10,926,878	3,074,794
Equity dividend (page 6)	-	(3,074,794)
Retained profit for the financial year (page 6)	<u>10,926,878</u>	<u>-</u>
	10,926,878	-
Opening equity shareholders' funds	<u>2</u>	<u>2</u>
Closing equity shareholders' funds	<u>10,926,880</u>	<u>2</u>

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The significant accounting policies adopted by the Company are set out below.

a) Depreciation

Fixed assets are depreciated on a straight-line basis over their estimated useful lives of 2 to 10 years. The main annual depreciation or amortisation rates are:

Leasehold office improvements	12.5%
Motor vehicles	25%
Furniture, fixtures and fittings, computers and office equipment	10% to 50%

b) Deferred taxation

FRS19 "Deferred Tax" requires that deferred tax is recognised in respect of transactions or events that have taken place by the balance sheet date and which would give the Company an obligation to pay more or less tax in the future. However, FRS19 requires that deferred tax is not recognised on revaluation gains or losses where these are not taken to the profit and loss account. In accordance with FRS19, the Company makes full provision for timing differences which, in the Company's case, arise primarily from capital allowances. Following the sale or demolition of a property, any deferred tax provisions not required will be released to the profit and loss account.

c) Pensions

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

The Company has applied the transitional provision's of FRS17 "Retirement Benefits" and appropriate additional disclosures have been included in Note 6. The Company will fully adopt FRS17 in its financial statements for the year ending 31 March 2004.

d) Investments in group undertakings

The Company's investments in the shares of group undertakings are carried at cost. This is a change from the previous accounting policy of stating the investments at directors' valuation on a basis which took account of the net assets of the group undertakings at the year end and included, where appropriate, the professional valuation of properties.

2. PROPERTY MANAGEMENT AND ADMINISTRATION EXPENSES

These include:

	<u>2003</u>	<u>2002</u>
	£	£
Directors' remuneration	5,383,664	5,577,432
Auditors' remuneration	24,400	21,200
Staff costs (Note 6)	26,800,284	19,230,446
Depreciation	9,606,447	3,675,278
Amortisation of improvements to leasehold premises (Note 9)	199,299	240,758
Profit on sales of fixed assets	48,489	54,741

In addition to the fees for the audit £1,298,757 (2002 :£287,545) was payable to the auditors for other services. This comprised compliance and certification work £15,850 (2002 :£14,450) and taxation advice and consultancy fees £1,282,907 (2002 :£273,095).

3. INTEREST RECEIVABLE

	<u>2003</u>	<u>2002</u>
	£	£
On amount owed by a group undertaking	982,282	435,790
Sundry	2,447	6,234
	<u>984,729</u>	<u>442,024</u>

4. INTEREST PAYABLE

	<u>2003</u>	<u>2002</u>
	£	£
On amount owed to a group undertaking	-	390,803
Sundry	12,315	75,202
	<u>12,315</u>	<u>466,005</u>

5. TAXATION

	<u>2003</u> £	<u>2002</u> £
Current tax		
Corporation Tax rate on revenue profit for the year at 30% (2002 :30%):	9,105,301	1,857,937
Adjustments relating to previous years	-	24,329
Current tax	9,105,301	1,882,266
Deferred tax	(2,131,004)	364,701
	<u>6,974,297</u>	<u>2,246,967</u>
 Factors affecting the tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK as 30% (2002 30%)		
The differences are explained below:		
Profit on ordinary activities before taxation	17,901,175	5,321,761
Profit on ordinary activity multiplied by the standard rate of corporation tax at 30%	5,370,353	1,596,528
Expenses disallowed	1,619,478	658,798
Release of deferred tax	-	(3,413)
Adjustments to current and deferred tax in respect of prior years	(15,534)	7,333
Reduced tax on profits on disposal of assets		(12,279)
	<u>6,974,297</u>	<u>2,246,967</u>
Depreciation	3,289,977	998,397
Capital allowances	(1,194,148)	(1,263,902)
Other timing differences	35,175	(99,196)
Current tax payable	<u>9,105,301</u>	<u>1,882,266</u>

6. STAFF AND PENSIONS

	<u>2003</u>	<u>2002</u>
	£	£
Salaries	16,755,377	15,588,359
Social Security	2,263,135	1,834,580
Pensions	6,744,739	2,896,056
Incentive schemes	3,854,172	2,580,696
	<u>29,617,423</u>	<u>22,899,691</u>

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

	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	No.	£	No.	£
Administration	286	26,800,284	286	19,230,446
Direct property services:				
Full time	114	2,619,250	133	3,412,398
Part time	36	197,889	41	256,847
	<u>436</u>	<u>29,617,423</u>	<u>460</u>	<u>22,899,691</u>

The direct property service staff costs, which are wholly attributable to housekeepers and outside staff, have been recharged to various group undertakings as property outgoings.

6. STAFF AND PENSIONS (continued)

Pensions

The charge to the profit and loss account for pension costs during the year is made up as follows:

	<u>2003</u>	<u>2002</u>
Regular pension cost	3,117,762	3,096,834
Variations from regular cost	3,259,391	1,176,230
Other schemes	1,044,921	869,282
Net pension cost	<u>7,422,074</u>	<u>5,142,346</u>

The amount under other schemes includes the actual contributions paid to the group's defined contribution schemes.

Defined Benefit Scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies ("the Scheme") is the only material defined benefit pension scheme of the Company. The Scheme, which is closed to new entrants and which is non-contributory for employees, provides defined benefits based on final pensionable salary. The assets of the Scheme are held in a self-administered trust fund, which is separate from the Company's assets.

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

As the Scheme is closed to new members, the current service cost will be expected to increase as a percentage of salary, under the projected unit method, as members approach retirement.

The last formal actuarial valuation, undertaken for the purposes of setting the ongoing contribution rate, was carried out as at 6 April 2001. The valuation showed that there was a deficit of £1.2m.

The actuary recommended that the employer contribution rate be increased from 25% to 30% of pensionable salaries with effect from April 2001. Employer contributions were paid at this rate during the year to 31 March 2002.

Employer contributions will continue at 30% of pensionable salaries until completion of the next formal valuation to be carried out no later than 6 April 2004. Interim valuations will, however, be undertaken to monitor the adequacy of the contribution rate.

The market value of the Scheme's invested assets (excluding the value annuities purchased to provide certain pensions in payment) as at 6 April 2001 was £60.8m. The actuarial value of these assets represented 99% of the value of the Scheme's liabilities at that date.

6. STAFF AND PENSIONS (continued)

The key assumptions adopted for this valuation were as follows:

	At valuation 6 April 2001 %
Rate of increase in pensionable salaries	5.00
Rate of increase in pensions in payment	2.75
Discount rate	
- prior to retirement	6.50
- in retirement	5.50
Inflation assumption	2.75
Actuarial value of assets (% of market value)	106.00

Contributory Money Purchase Scheme

A contributory money purchase scheme was introduced on 1 January 1999 for all new administrative and senior property based staff, subject to eligibility, together with a separate similar scheme, effective 1 April 1998, for other property based staff.

All death-in-service and benefits for incapacity arising during employment provided by the Company are wholly insured.

No post-retirement benefits other than pensions are made available to employees of the Company.

Additional Disclosures Under FRS17 'Retirement Benefits'

As noted above, a full actuarial valuation was undertaken on 6 April 2001. This valuation was updated to 31 March 2003 by a qualified actuary for the purposes of the following additional disclosures required by the transitional provisions of FRS17. The major assumptions used by the actuary in this valuation were (in nominal terms):

	2003 %	2002 %
Rate of increase in pensionable salaries	4.75	5.00
Rate of increase in pensions in payment	2.50	2.75
Discount rate	5.50	6.00
Inflation assumption	2.50	2.75

6. STAFF AND PENSIONS (continued)

The market value of the assets in the scheme (including the value of annuities purchased to provide certain pensions in payment) and the expected rate of return (net of investment management expenses) were:

	Expected rate of return 2003 %	Expected rate of return 2002 %	Fair Value 2003 £m	Fair Value 2002 £m
Equities	7.50	7.50	31.90	46.20
Bonds and insurance contracts	5.50	6.00	34.10	28.70
Other	3.75	4.00	10.40	2.70
Total market value of assets			76.40	77.60
Actuarial value of scheme liabilities			(95.00)	(87.50)
Deficit in the scheme			(18.60)	(9.90)
Related deferred tax asset			5.60	3.00
Net pension liability			(13.00)	(6.90)

Analysis of gains and losses:*	2003 £m
Actual return less expected return on pension scheme assets	(16.3)
Experience gains and losses arising on the scheme liabilities	2.7
Changes in assumptions underlying the present value of schme liabilities	(3.6)
Actuarial loss	(17.2)

Movement in deficit during year:	2003 £m
Deficit in the scheme at the beginning of the year	(9.9)
Current service cost	(3.2)
Employer contributions	12.3
Other income plus any risk benefit premiums paid direct to insurer	0.3
Impact of settlements and curtailments	(0.9)
Actuarial loss	(17.2)
Deficit in the scheme at the end of the year	(18.6)

History of experience gains and losses:	2003
	£m
Difference between the actual and expected return on scheme assets	(16.3)
Value of plan assets	76.4
Percentage of scheme assets	-21.3%
Experience gains on pension scheme liabilities	2.7
Present value of scheme liabilities	95.0
Percentage of the present value of scheme liabilities	2.8%
Actuarial loss	(17.2)
Present value of scheme liabilities	95.0
Percentage of the present value of scheme liabilities	18.1%
Analysis of amount charged to operating profit:*	2003
	£m
Current service cost	3.2
Curtailement and settlement costs	0.9
Total operating charge	4.1
Analysis of amount credited to other finance income:*	2003
	£m
Expected return on pension scheme assets	5.3
Interest on pension liabilities	(5.3)
Net return	-

* These analyses show the amounts that would have been recognised in the statement of recognised gains and losses and the profit and loss account had FRS17 been fully implemented.

7. EXECUTIVE AND SAVINGS RELATED SHARE OPTION SCHEMES

		No of options		
	Option Price	2000 Executive Share Option Scheme	1984 Executive Share Option Scheme	1983 & 1993 Savings Related Share Option Schemes
At 1 April 2001		1,176,562	295,250	399,655
Granted	713p	-	-	232,003
	869p	1,601,000	-	-
	813p	122,000	-	-
Exercised		-	(89,500)	(81,835)
Lapsed		(216,000)	-	(29,923)
At 31 March 2002		<u>2,683,562</u>	<u>205,750</u>	<u>519,900</u>

The options outstanding under the 2000 scheme are exercisable at prices between 801p and 869p up to 2012, provided the associated performance conditions are met, and those under the 1984 executive share option scheme at 618.6p up to July 2004. The options outstanding under the savings related share options schemes are exercisable at prices between 487p and 736p after three, five or seven years from the date of grant.

8. DIRECTORS' EMOLUMENTS

The directors of the Company receive emoluments from Land Securities Properties Limited for their services to the Group. These emoluments consist of a basic salary, annual bonus, and a bonus of 18% of salary payable under the senior executive annual bonus scheme apportioned equally in cash and shares, pension contribution, car and medical benefits and the value of shares allocated under the 1989 and 1999 Land Securities Profit Sharing Schemes. The proportion of their emoluments which relates to the management of the affairs of the Company amounts to approximately £1,152,000 (2002: £1,078,000). Taking this amount into account, the emoluments of the highest paid director, excluding pension contributions, amounted to £379,312 (2002: £109,000). The accrued pension as at 31 March 2003 for the highest paid director was £46,616 (2002: £78,330).

Pensions of £140,117 (2002: £109,141) were paid to former directors or their dependents.

9. TANGIBLE ASSETS

	Improvements to leasehold offices	Motor vehicles, furniture fixtures and fittings computer and office equipment	Total
	£	£	£
<u>Cost</u>			
At 1 April 2002	2,325,832	35,577,549	37,903,381
Additions	63,390	3,435,056	3,498,446
Disposals	(162,975)	(1,004,616)	(1,167,591)
At 31 March 2003	2,226,247	38,007,989	40,234,236
<u>Accumulated depreciation</u>			
At 1 April 2002	1,114,677	19,101,252	20,215,929
Charge for the year	199,299	9,812,796	10,012,095
Released on disposals	(106,012)	(871,328)	(977,340)
At 31 March 2003	1,207,964	28,042,720	29,250,684
<u>Net book amount</u>			
At 31 March 2003	1,018,283	9,965,269	10,983,552
At 31 March 2002	1,211,155	16,476,297	17,687,452

The depreciation charge for the year includes the following amounts charged to other property outgoings in the accounts of the relevant group undertakings in respect of:

	<u>2003</u> £	<u>2002</u> £
Shopping centre managers' cars, office and car park equipment	193,123	140,707
Food courts	11,275	11,097
	<u>204,398</u>	<u>151,804</u>

10. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	<u>2003</u>
Shares:	£
At 1 April 2002	7,568
Prior year adjustment	7,566
	<hr/>
At 1 April 2002 as restated	2
Transferred to subsidiary undertakings	(2)
	<hr/>
At 31 March 2003	<u>-</u>

The prior year adjustment is a consequence of restating the carrying value of investments in group undertakings at 31 March 2002 at cost in accordance with the accounting policy in Note 1(d).

11. DEBTORS

	<u>2003</u>	<u>2002</u>
	£	£
Falling due within one year		
Amounts owed by a group undertaking	28,832,054	3,029,111
Capital debtors	293,750	-
Dividends receivable from group undertakings	-	1,986,013
Other debtors	6,301,915	861,774
Prepayments and accrued income	2,299,342	3,476,777
	<hr/>	<hr/>
	<u>37,727,061</u>	<u>9,353,675</u>

The amount owed by a group undertaking has no fixed repayment date

Falling due after more than one year

Deferred taxation	849,170	-
Other debtors	6,086,841	613,661
	<hr/>	<hr/>
	<u>6,936,011</u>	<u>613,661</u>

LAND SECURITIES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2003

12. CREDITORS falling due within one year

	<u>2003</u>	<u>2002</u>
	£	£
Bank overdraft	6,912,553	14,103,503
Trade creditors	6,251,589	3,556,696
Taxation and Social Security	10,076,301	2,663,515
Proposed dividend	-	3,074,794
Other creditors	1,866,645	1,068,477
Accruals	19,615,027	26,721,139
	<u>44,722,115</u>	<u>51,188,124</u>

13. CREDITORS falling due after more than one year

	<u>2003</u>	<u>2002</u>
	£	£
Other creditors	<u>75,340</u>	<u>75,340</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation :	<u>2003</u>
	£
At 1 April 2002	(1,297,368)
Prior year adjustment	15,534
At 1 April 2002 as restated	<u>(1,281,834)</u>
Charge for year	2,131,004
Transferred to debtors falling due after more than one year	(849,170)
As at 31 March 2003	<u>-</u>

15. CALLED UP SHARE CAPITAL

	<u>2003</u>	<u>2002</u>
	£	£
Authorised:		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid:		
2 Ordinary Shares of £1 each	<u>2</u>	<u>2</u>

16. RESERVES

	Revaluation Reserve	Profit and Loss Account
	£	£
At 1 April 2002	7,566	-
Prior year adjustment	(7,566)	-
Retained profit for the year	-	10,926,878
At 31 March 2003	-	10,926,878

The prior year adjustment arises from the change in accounting policy in respect of the Company's investments in its group undertakings referred to in Note 10. Had the new policy not been adopted, the net assets would have been £10,934,446 but there would still be no impact on its retained profit.

17. CASH FLOW EXEMPTION

The Company is a wholly owned subsidiary of Land Securities Group PLC which prepares a consolidated cash flow statement. The Company has therefore elected to make use of the exemption provided in Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements" not to produce its own cash flow statement.

18. RELATED PARTY TRANSACTIONS

The Company has entered into agreements with three limited partnerships which are dealt with on a consolidated basis in the group accounts of Land Securities Group PLC. Transactions under these agreements are as follows:

The Martineau Limited Partnership

Under a number of agreements with the partnership the Company received fees of £110,990 (2002: £Nil) for development services rendered to the partnership.

The Martineau Galleries Limited Partnership

Under a number of agreements with the partnership the Company received fees of £150,000 (2002: £37,500) for development and portfolio management services and £32,500 (2002: £32,500) for accountancy services rendered to the partnership.

The Ebbsfleet Limited Partnership

The Company received fees of £12,500 (2002: £9,546) for accountancy services rendered to the partnership.

The Company is a wholly owned subsidiary of Land Securities Group PLC and has taken advantage of the exemption provided in paragraph 3(c) of Financial Reporting Standard 8 "Related Party Disclosures" not to make disclosure of transactions with other entities that are part of the group.

19. PARENT COMPANY

The ultimate parent company at 31 March 2003 was Land Securities Group PLC, which is registered in England and Wales. This is the largest parent company of the group to consolidate these financial statements. The smallest parent company of the group to consolidate these financial statements is Land Securities PLC.

On 6 September 2002 the entire share capital of Land Securities PLC, the previous ultimate parent company, was acquired by Land Securities Group PLC, a company registered in England and Wales, under a court-approved scheme of arrangement.

Consolidated financial statements for the year ended 31 March 2003 for Land Securities Group PLC can be obtained from the Secretary, 5 Strand, London WC2N 5AF.