

LAND SECURITIES TRADING LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2004



DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004

The directors submit their report with the financial statements for the year to 31 March 2004.

RESULTS FOR THE YEAR AND DIVIDEND

The results are set out in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend for the year ended 31 March 2004 (2003: £Nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company has continued its business of property trading. There will be no change in the Company's principal activity in the foreseeable future.

DIRECTORS

The directors who held office during the year were:

P M Dudgeon
 A R Strange
 R D S Nevett
 F W Salway
 N W Johnson
 R Pyle (appointed 7 August 2003)
 T A Seddon (appointed 25 October 2004)
 M McGuinness (resigned 24 September 2004)
 P G Cleary (resigned 2 November 2004)

The directors had no interests in the shares of the Company throughout the year.

F W Salway of Land Securities Group PLC, the ultimate parent company, and his interests in that company are shown in its Reports and Financial Statements for the year ended 31 March 2004. The ultimate parent company's registers of directors' share and debenture interests and holdings of options, which are open to inspection at its registered office, contain full details of his shareholdings and share options.

The beneficial interests of the other directors in the shares of Land Securities Group PLC and their holdings of options over shares in that company are set out below and on page 2:

Interest in Ordinary Shares	31 March 2004	1 April 2003
P M Dudgeon	15,556	14,258
A R Strange	17,627	16,386
R D S Nevett	18,118	16,923
N W Johnson	878	440
R Pyle	2,457	1,365
T A Seddon	4,007	3,957
M McGuinness	17,384	7,158
P G Cleary	9,064	6,974

Interest in 'B' Shares	31 March 2004	1 April 2003
P M Dudgeon	487	8,438
A R Strange	16,859	16,859
R D S Nevett	1,481	1,481
N W Johnson	697	2,150
R Pyle	-	-
T A Seddon	541	1,461
M McGuinness	1,240	1,240
P G Cleary	4,704	4,704

LAND SECURITIES TRADING LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2004 (CONTINUED)

DIRECTORS (continued)

Options over Ordinary Shares

Name	Granted during year			Exercised during year			Lapsed During the Year			Options as at 31 March 2004		
	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)	Exerciseable dates	
P Cleary	43,000 1,813	17,125 936	788.0 677.0	(937)	736.0	869.0		60,125 1,812	822.0 663.9		07/2003 - 07/2013 07/2008	
P M Dudgeon	35,500 4,101	10,625 280	788.0 677.0					46,125 4,381	821.7 659.1		09/2003 - 07/2013 07/2004 - 08/2008	
N W Johnson	33,500 1,860	13,500 190	788.0 677.0	(20,000) (328)	820.0 736.0	1,093.0 872.0		27,000 1,722	817.9 660.0		09/2004 - 07/2013 07/2004 - 07/2006	
M McGuinness	54,750 2,403	1,000	788.0	(9,250) (1,640)	618.6 736.0	958.8 935.0		46,500 763	833.9 650.0		07/1997 - 07/2013 08/2007	
R Neveitt	50,500 4,021	8,125	788.0					58,625 4,021	832.0 646.7		09/2003 - 07/2013 07/2004 - 07/2009	
R Pyle	40,000 1,461	16,250	788.0					56,250 1,461	835.5 650.0		07/2004 - 07/2013 08/2005	
T A Seddon	50,500 960	10,000 436	788.0 677.0	(493)	628.0	869.0		60,500 903	830.0 663.0		09/2003 - 07/2013 07/2003 - 08/2005	
A R Strange	58,250 2,332	4,000	788.0	(11,750)	618.6	989.0		50,500 2,332	831.6 683.6		07/1997 - 07/2013 07/2004 - 07/2005	

The range of the closing middle market prices for Land Securities shares during the year was 724.5p to 121.5p. The middle market price at 31 March 2004 was 109p.

Five directors exercised options this 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 and 2003 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.

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
28 January 2005

Registered Office
5 Strand
London WC2N 5AF

Registered in England and Wales
Company No. 3934761

**DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2004**

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 and loss for that year and which 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 safe guarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF LAND SECURITIES TRADING LIMITED
FOR THE YEAR ENDED 31 MARCH 2004**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 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.

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 into 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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.


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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2004 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 January 2005

Profit and loss account for the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
Gross property income	2	4,484	3,579
Net rental income	2	804	743
Property management and administration expenses	3	-	-
Operating profit		804	743
Net interest receivable and similar charges	4	9	3
Net interest payable and similar charges	5	(3,033)	(726)
(Loss) / profit on ordinary activities before taxation		(2,220)	20
Taxation	6	666	112
(Loss) / profit on ordinary activities after taxation		(1,554)	132
Dividends		-	-
(Accumulated loss) / retained profit for the financial year		(1,554)	132

Statement of total recognised gains and losses for the year ended 31 March 2004

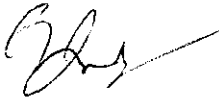
	2004 £'000	2003 £'000
(Loss) / profit on ordinary activities after taxation	(1,554)	132
Total gains and losses recognised since the last financial statements	(1,554)	132

Note of historical cost profits and losses

	2004 £'000	2003 £'000
Historical cost (loss) / profit on ordinary activities before taxation	(2,220)	20
Taxation	666	111
(Accumulated) / retained historical cost (loss) / profit for the financial year	(1,554)	132

Balance sheet at 31 March 2004

	Notes	2004 £'000	2003 £'000
Current assets			
Stocks		42,348	48,500
Debtors	7	1,941	3,789
		44,289	52,289
Creditors falling due within one year	8	(45,496)	(52,020)
Total assets less current liabilities		(1,207)	269
Provision for liabilities and charges	9	(215)	(137)
		(1,422)	132
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	(1,422)	132
Shareholders' funds		(1,422)	132



P M Dudgeon

Director

The financial statements on pages 5 to 10 were approved by the directors on 28 January 2005.

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention modified by the revaluation of investment properties.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

(a) Profit and loss account and other primary statements

The profit on ordinary activities before taxation is arrived at after taking into account income and outgoings on all properties, including those under development. In accordance with FRS3 'Reporting Financial Performance', profits and losses on properties sold during the year are calculated by comparing net sales proceeds with book values.

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

(b) Gross property income

The gross property income comprises rental income, service charges and other recoveries from tenants of its investment properties.

Income is credited to the profit and loss account as space and other services are provided to customers. Gross property income includes costs recovered from tenants and outsourcing customers. Rental income includes the net income from managed operations such as car parks, food courts, serviced offices and flats.

Service charges and other recoveries include income in relation to service charges and directly recoverable expenditure together with any chargeable management fee.

In accordance with the Accounting Standards Board's (ASB) Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF28) the Company treats any incentive for lessees to enter into lease agreements as a revenue cost and accounts for rental income from the commencement date of any rent-free period. The cost of all lease incentives (such as rent-free periods or contributions to tenants' fitting out costs) is, therefore, offset against the total rent due. The net rental income is then spread evenly over the shorter of the period from the rent commencement date to the date of the next rent review or the lease end date.

(c) Taxation

In accordance with FRS16 'Current Taxation', taxation arising on the sales of properties is charged to the profit and loss account in respect of the excess of net sale proceeds over book value and to the statement of total recognised gains and losses in respect of prior year revaluation surpluses realised on those sales.

No provision is made for the taxation which would become payable under present legislation if the Company's properties were sold at the amounts at which they are carried in the financial statements.

In accordance with FRS19 'Deferred Tax':

(i) deferred tax is recognised in full in respect of transactions or events that have taken place by the balance sheet date and which could give the Company an obligation to pay more or less tax in the future.

(ii) deferred tax is not recognised on revaluation gains and losses where these are not taken to the profit and loss account.

(iii) full provision is made for timing differences which, in the Company's case, arise primarily from capital allowances and industrial building allowances and the capitalisation and timing of recognition of certain interest payable. Following the sale or demolition of a property, any deferred tax provision not crystallised is released to the profit and loss account.

(d) Trading properties

(i) Capitalisation of interest

Gross interest associated with direct expenditure on properties under development or undergoing major refurbishment is capitalised. The rate used is the Company's pre-tax weighted average cost of borrowings or, if appropriate, the rate on specific associated borrowings. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended, however, if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site or property if it was acquired specifically for redevelopment in the short term. Interest is not capitalised on the acquisition cost of properties previously held as investments.

2. Net rental income		
	2004	2003
	£'000	£'000
Rental income	98	(134)
Proceeds of trading stock sales	4,369	3,690
Service charges and other recoveries	17	23
Gross property income	4,484	3,579
Trading stock cost of sales	(3,439)	(2,085)
Other direct property or contract expenditure	(241)	(148)
Management charges	-	(603)
Operating profit	804	743

Other property outgoings are costs incurred in the direct maintenance and upkeep of investment properties. Void costs, which include those relating to empty properties pending redevelopment and refurbishment, costs of investigating potential development schemes which are not proceeded with, and costs in respect of housekeepers and outside staff directly responsible for property services, are also included.

3. Property management and administration expenses
Property management and administration expenses consist of all costs of managing the property, together with the costs of rent reviews and renewals, re-lettings of the property and management services as explained in Note (a) below. No staff costs or overheads are capitalised.

a) Management services

The Company had no employees during the year. Management services were provided to the Company throughout the year by Land Securities Properties Limited, which is a group undertaking.

b) Directors' emoluments

The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the group (2003: £Nil).

c) Auditors' remuneration

The Group's auditors' remuneration is borne by Land Securities Properties Limited. The proportion of the remuneration which relates to the Company amounts to £Nil (2003: £Nil).

In addition to the fees for the audit, £Nil (2003: £Nil) was payable to the auditors for compliance and certification work.

4. Interest receivable		
	2004	2003
	£'000	£'000
Sundry	9	3

5. Interest payable		
	2004	2003
	£'000	£'000
On an amount owed to a group undertaking	3,292	789
Less: Capitalised as costs of properties under development	(259)	(63)
	3,033	726

6. Taxation		
	2004	2003
	£'000	£'000
Analysis of tax credit for the year		
Corporation tax on profit for the year at 30% (2003: 30%)	(744)	(13)
Capitalised interest and other timing differences	-	(118)
Total current tax	(744)	(131)
Deferred tax	78	19
Total deferred tax	78	19
Tax credit for the year	(666)	(112)

6. Taxation (continued)

	2004 £'000	2003 £'000
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 of 30% (2003: 30%) The differences are explained below:		
Profit on ordinary activities before taxation	(2,220)	20
Tax at 30%	(666)	6
Effects of:		
Capitalised interest and other timing differences	(78)	(19)
Release of deferred tax on property disposals	-	(118)
Current tax	(744)	(131)

The deferred taxation provisions that would be released in the event of sales of the properties on the assumption that the proceeds of qualifying assets equate for tax purposes to the tax written down value would be £nil (2003: £nil).

7. Debtors

	2004 £'000	2003 £'000
Trade debtors	2	3
Property sales debtors	-	2,537
Capital debtors	1	4
Other debtors	255	321
Prepayments and accrued income	940	924
Taxation recoverable	743	-
	1,941	3,789

8. Creditors falling due within one year

	2004 £'000	2003 £'000
Capital creditor	46	-
Amount owed to a group undertaking	42,176	48,137
Accruals and deferred income	3,274	3,883
	45,496	52,020

9. Provision for liabilities and charges

	Deferred Taxation £'000
At 1 April 2003	137
Net charge for the year	78
At 31 March 2004	215

10. Called up share capital

	Authorised		Allotted and fully paid	
	2004 No.	2003 No.	2004 £	2003 £
Ordinary shares of £1.00 each	1,000	1,000	2	2

11. Reserves

	Ordinary Shares £'000	Profit and Loss Account £'000	Total £'000
As at 1 April 2003	-	132	132
Accumulated loss for the year	-	(1,554)	(1,554)
At 31 March 2004	-	(1,422)	(1,422)

12. Cash flow statement exemption

The group 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 it's own cash flow statement.

13. Related party transactions

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.

14. Parent company

The ultimate parent company at 31 March 2004 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 statements is Land Securities PLC.

Consolidated financial statements for the year ended 31 March 2004 for Land Securities Group PLC can be obtained from the Secretary, 5 Strand, London WC2N 5AF.

15. Financial Support

The ultimate parent company has informed the Company that it is its present intention to continue to provide financial support to the Company to enable it to meet its liabilities as they fall due.