

Registered Number 5163698

LS PROPERTY FINANCE COMPANY LIMITED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Strategic Report for the year ended 31 March 2014

The directors present their strategic report with audited statements of the Company for the year ended 31 March 2014.

RESULTS FOR THE YEAR

The results are set out in the Profit and Loss Account on page 5.

REVIEW OF THE BUSINESS

The Company operates primarily as a funding vehicle for Land Securities Group PLC and its subsidiaries. No changes in the Company's principal activity are anticipated in the foreseeable future.

KEY PERFORMANCE INDICATORS

The directors assess the performance of the Company by reference to the surplus of interest receivable over interest payable from loans to / from the Group's subsidiary undertakings less any allowance for impairment on these loans charged to the profit and loss account during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk facing the Company is that poor performance of the Group's subsidiary undertakings might have a material impact on the recovery of loans repayable to the Company by these entities. The Company's performance during the year indicates a satisfactory performance of the Group's subsidiary undertakings.

FINANCIAL RISK MANAGEMENT

The Company's debt financing and use of interest rate swaps exposes it to a variety of financial risks that include the effects of changes in liquidity, fair value of swaps, interest rates and exchange rates.

The Company uses interest rate swaps and similar instruments (forward rate agreements, forward starting swaps, etc) to manage its interest rate exposure, however there is currently no hedging in place to protect against currency gains and losses.

The Company's principal financial assets are cash and inter-company loans; it therefore has negligible credit risk. The credit risk on derivative financial instruments is limited due to the Company's policy of monitoring counterparty exposures. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

The Company has a £1.085bn committed facility due December 2016 and four bilateral facilities of a total of £985.0m. This is designed to ensure that the Company has sufficient available funds to lend to other group undertakings for operations and planned future investments.

The fair value of the Company's borrowings and interest rate swaps varies according to changes in the market cost of borrowing.

Registered Office
5 Strand
London
WC2N 5AF



By order of the Board
L F Glover, for and on behalf of LS Company Secretaries Limited,
Company Secretary
18 December 2014

Registered in England and Wales
Registered number: 5163698

Directors' Report for the year ended 31 March 2014

The directors present their report with audited statements of the Company for the year ended 31 March 2014.

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 2014 (2013: £Nil).

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company operates primarily as a funding vehicle for Land Securities Group PLC and its subsidiaries. No changes in the Company's principal activity are anticipated in the foreseeable future.

DIRECTORS

The directors who held office during the year and up to the date of this report unless otherwise stated were:

C M Gill	
K W B Hannah	
S S S Leung	(resigned 14 March 2014)
D Rough	(resigned 18 July 2014)
M R Wood	
M F Greenslade	
D Don-Wauchope	(resigned 31 December 2013)
M P Cadwaladr	(appointed 31 December 2013)

INDEMNITY

The Company has made qualifying third party indemnity provisions for the benefit of the respective directors which were in place throughout the year and which remain in place at the date of this report.

AUDITOR

Following the resignation of PricewaterhouseCoopers LLP as auditor on 17 December 2013, Ernst & Young LLP were appointed as auditor to the company.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each director in office at the date the Directors' Report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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L F Glover, for and on behalf of LS Company Secretaries Limited,
Company Secretary
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Directors' Responsibilities for the year ended 31 March 2014**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to Members of LS Property Finance Company Limited

We have audited the financial statements of LS Property Finance Company Limited for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Reconciliation of Movements in Total Shareholder's funds, the Balance Sheet, and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Wilson (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
18 December 2014

Profit and Loss Account for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Profit before interest and taxation		-	-
Interest receivable and similar income	3	182,609	179,369
Interest payable and similar charges	4	(182,543)	(179,042)
Profit on ordinary activities before taxation		66	327
Taxation	5	(15)	(78)
Profit for the financial year		51	249

Reconciliation of Movements in Total Shareholder's Funds for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		51	249
Addition to shareholder's funds		51	249
Opening shareholder's funds		2,895	2,646
Closing shareholder's funds		2,946	2,895

All amounts arise from continuing operations.

There is no difference between reported profit and historical cost profit on ordinary activities before taxation.

There are no recognised gains or losses other than those shown in the Profit and Loss Account above.

Balance Sheet as at 31 March 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments	6	2,927,891	3,402,125
Loan receivable		<u>2,927,891</u>	<u>3,402,125</u>
Current assets			
Loans receivable	6	500,000	122,699
Debtors falling due within one year	7	22,653	81,723
Bank deposits		-	16,857
Cash at bank and in hand		<u>3,748</u>	<u>3,313</u>
		<u>526,401</u>	<u>224,592</u>
Creditors: amounts falling due within one year	8	<u>(523,245)</u>	<u>(221,697)</u>
Net current assets		<u>3,156</u>	<u>2,895</u>
Total assets less current liabilities		<u>2,931,047</u>	<u>3,405,020</u>
Creditors: amounts falling due after more than one year	9	<u>(2,928,101)</u>	<u>(3,402,125)</u>
Net assets		<u>2,946</u>	<u>2,895</u>
Capital and reserves			
Share Capital	10	-	-
Profit and loss account	11	2,946	2,895
Total shareholder's funds		<u>2,946</u>	<u>2,895</u>

The financial statements on pages 5 to 9 were approved and authorised for issue by the board of directors on 18 December 2014 and were signed on its behalf by:



C M Gill
Director

1. Accounting Policies

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with Companies Act 2006 and applicable United Kingdom accounting standards.

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) Interest income and interest expense

Interest income and interest expense are recognised on an accruals basis by applying the effective interest rate which takes account of the amortisation of finance costs over the term of the Loan note.

(b) Interest rate swaps

The Company uses interest rate swaps to help manage its interest rate risk, and cross-currency swaps to manage its currency risk. In accordance with its treasury policy, the Company does not hold or issue derivatives for trading purposes.

In accordance with FRS 26, all derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently re-measured at fair value. The gains or losses on derivatives are recognised in the income statement immediately.

The Company is a wholly owned subsidiary of Land Securities Group PLC which prepares disclosures that comply with FRS29 and are publicly available. The Company has therefore elected to make use of the exemption provided in Financial Reporting Standard 29 not to produce its own IFRS 7 disclosures.

(c) Taxation

Taxation is charged at the corporation tax rate of 24% (2013: 24%).

(d) Loans receivable / payable

Loan receivable / payable is recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loan receivable / payable is stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit and loss account over the period of the loan receivable / payable, using the effective interest method.

(e) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit and loss account over the period of the borrowings, using the effective interest method.

2. Management and administrative expenses

(a) Management services

The Company had no employees during the year (2013: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, which is a Group undertaking, and amount to £Nil (2013: £Nil)

(b) Directors' emoluments

The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company. It is not considered practical to quantify the remuneration for the qualifying services of the Directors to the Company.

(c) Auditor remuneration

The Group auditor's remuneration is borne by Land Securities Properties Limited. The proportion of the remuneration which relates to the Company amounts to £1,545 (2013: £1,471). The auditors received no remuneration for non-audit services provided to the Company during the year (2013: £Nil).

3. Interest receivable and similar income

	2014 £'000	2013 £'000
Bank interest	32	405
Amortisation of bond issue gains	3	22
On an amount owing from a group undertaking	175,613	178,942
Fair value gains on interest rate swaps	6,961	-
	182,609	179,369

4. Interest payable and similar charges

	2014 £'000	2013 £'000
Borrowings	13,897	7,021
Amortisation of bond issue losses	148	162
Other financing costs	6,136	7,278
Fair value losses on interest rate swaps	-	4,169
On an amount owing to a group undertaking	162,362	160,412
	<u>182,543</u>	<u>179,042</u>

5. Taxation

	2014 £'000	2013 £'000
Analysis of tax charge for the year		
Corporation tax on profit for the year	15	78
Total deferred tax	15	78
Tax charge on profit on ordinary activities	<u>15</u>	<u>78</u>

Factors affecting the tax charge for the year

The current tax charge for the year equates to the standard rate of corporation tax in the UK of 23% (2013: 24%).

Profit on ordinary activities before taxation	66	327
Profit on ordinary activities multiplied by the standard rate in the UK at 23% (2013: 24%)	15	78
Current tax charge for the year	<u>15</u>	<u>78</u>

Factors affecting future tax charges

The Finance Bill 2013 was substantively enacted on 2 July 2013 which reduces the main rate of UK corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015.

6. Loan receivable

	2014 £'000	2013 £'000
Amounts owed from Land Securities (Finance) Limited:		
Amounts falling due within one year	500,000	122,699
Amounts falling due after more than one year	2,927,891	3,402,125
	<u>3,427,891</u>	<u>3,524,824</u>

The unsecured loan to the group undertaking relates to fixed rate Loan Notes and is repayable when the note it relates to is repaid. Interest is charged at the interest rate on the related note plus 0.01%.

7. Debtors

	2014 £'000	2013 £'000
Corporation tax	318	390
Other debtors	-	58,080
Prepayments and accrued income	22,335	23,253
	<u>22,653</u>	<u>81,723</u>

8. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Fair value of derivative instruments	3,710	10,666
Amount owed to a group undertaking	1,816	152,554
Syndicated debt	500,000	-
Accruals and deferred income	17,719	58,477
	<u>523,425</u>	<u>221,697</u>

9. Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Unamortised issue expenses	105	(44)
Syndicated debt	25,000	500,000
Amounts owed to a group undertaking	2,902,996	2,902,169
	<u>2,928,101</u>	<u>3,402,125</u>

The unsecured loan to the group undertaking relates to fixed rate Loan Notes and is repayable when the note it relates to is repaid. Interest is charged at the interest rate on the related note plus 0.01%.

10. Called up share capital

	2014 Number	Issued 2013 Number	Allotted and fully paid 2014 £	2013 £
Ordinary shares of £1.00 each	100	100	100	100

11. Reserves

	Called up Share Capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2013	-	2,895	2,895
Profit for the financial year	-	51	51
At 31 March 2014	-	<u>2,946</u>	<u>2,946</u>

12. Cash flow statement 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.

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 immediate parent company is Land Securities Group PLC

The ultimate parent company and controlling party at 31 March 2014 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.

Consolidated financial statements for the year ended 31 March 2014 for Land Securities Group PLC can be obtained from the Company Secretary, 5 Strand, London WC2N 5AF. This is the largest and smallest group to include these accounts in its consolidated financial statements.