

LS PROPERTY FINANCE COMPANY LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010



**Directors' Report for the year ended 31 March 2010**

The directors submit their report with the audited financial statements of the Company for the year ended 31 March 2010.

**RESULTS FOR THE YEAR AND DIVIDEND**

The results are set out in the Profit and Loss Account on page 4.

The directors do not recommend the payment of a dividend for the year ended 31 March 2010 (2009: £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.

**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 £1.5bn committed facility due 31 August 2013 and four bilateral facilities of a total of £650.0m. 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.

**DIRECTORS**

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

F W Salway  
C M Gill  
K W B Hannah  
D L F Holt  
S S S Leung  
D Rough  
S A West  
M R Wood  
M F Greenslade

**STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

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 auditors are 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 auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.



By order of the Board  
P M Dudgeon  
Company Secretary  
14 December 2010

Registered Office  
5 Strand  
London WC2N 5AF

Registered in England and Wales  
Registered number: 5163698



**Directors' Responsibilities for the year ended 31 March 2010****Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

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 elected to prepare 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 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 Auditors' Report to the Members of LS Property Finance Company Limited for the year ended 31 March 2010

We have audited the financial statements of LS Property Finance Company Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Reconciliation of Movements in Total Shareholder's Funds, the Balance Sheet and the related notes. 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).

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, 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 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

**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.

**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 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

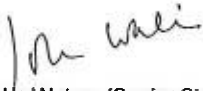
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report 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.

  
 John Waters (Senior Statutory Auditor)  
 For and on behalf of PricewaterhouseCoopers LLP  
 Chartered Accountants and Registered Auditors  
 London  
 14 December 2010



## Profit and Loss Account for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Interest receivable and similar income	3	226,132	362,953
Interest payable and similar charges	4	(225,441)	(362,384)
<b>Profit on ordinary activities before taxation</b>		<b>691</b>	<b>569</b>
Taxation	5	(193)	(159)
<b>Profit for the financial year</b>		<b>498</b>	<b>410</b>

## Reconciliation of Movements in Total Shareholder's Funds for the year ended 31 March 2010

	2010 £'000	2009 £'000
Profit for the financial year	498	410
<b>Addition to shareholder's funds</b>	<b>498</b>	<b>410</b>
Opening shareholder's funds	1,406	996
<b>Closing shareholder's funds</b>	<b>1,904</b>	<b>1,406</b>

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 2010

	Notes	2010 £'000	2009 £'000
<b>Investments</b>			
Loan receivable	6	3,295,204	3,593,541
<b>Current assets</b>			
Loan receivable	6	299,631	-
Debtors falling due within one year	7	48,394	2,220,877
Cash at bank and in hand		79,079	31,734
		427,104	2,252,611
<b>Creditors: amounts falling due within one year</b>			
Loan payable	8	(299,631)	(3,593,541)
Other	9	(125,569)	(111,088)
<b>Net current assets / (liabilities)</b>		1,904	(1,452,018)
<b>Total assets less current liabilities</b>		3,297,108	2,141,523
<b>Creditors: amounts falling due after more than one year</b>			
Loan payable	8	(3,295,204)	-
Borrowings	10	-	(2,140,117)
<b>Net assets</b>		1,904	1,406
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	1,904	1,406
<b>Total shareholder's funds</b>		1,904	1,406

The financial statements on pages 4 to 9 were approved and authorised for issue by the board on 14 December 2010 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 in accordance with applicable United Kingdom accounting standards under the historical cost convention.

### (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.

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.

### (c) Taxation

Taxation is charged at the corporation tax rate of 28%.

### (d) Loan 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 (2009: None). 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 Company. The amounts allocated to services for this Company were of negligible value (2009: £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 £1,520 (2009: £1,520). The auditors received no remuneration for non-audit services provided to the Company during the year (2009: £Nil).

## 3. Interest receivable and similar income

	2010 £'000	2009 £'000
Bank interest	1,191	60
Amortisation of bond issue gains	367	367
Fair value gains on interest rate swaps	5,576	-
On an amount owing from a group undertaking	218,998	362,526
	<u>226,132</u>	<u>362,953</u>

## 4. Interest payable and similar charges

	2010 £'000	2009 £'000
Borrowings	25,537	77,912
Amortisation of bond issue losses	159	159
Other financing costs	3,879	1,547
Fair value losses on interest rate swaps	-	71,269
On an amount owing to a group undertaking	195,866	211,497
	<u>225,441</u>	<u>362,384</u>

The interest rate swaps held by the Company do not qualify for hedge accounting, therefore, gains or losses are recognised in the Profit and Loss Account.



5. Taxation

	2010 £'000	2009 £'000
Analysis of tax charge for the year		
Corporation tax on profit for the year	193	159
<b>Tax charge on profit on ordinary activities</b>	<b>193</b>	<b>159</b>

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 28%.

6. Loan receivable

	2010 £'000	2009 £'000
Amounts owed from Land Securities (Finance) Limited:		
Amounts falling due within one year	299,631	3,593,541
Amounts falling due after more than one year	3,295,204	-
	<b>3,594,835</b>	<b>3,593,541</b>

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

	2010 £'000	2009 £'000
Amounts owed from a group undertaking	-	2,190,773
Other debtors	26,059	29,884
Prepayments and accrued income	22,148	-
Corporation tax	187	220
	<b>48,394</b>	<b>2,220,877</b>

The unsecured loan was repaid during the year.

8. Loan payable

	2010 £'000	2009 £'000
Amounts owed to Land Securities Capital Markets Plc – due within one year	299,631	3,593,541
Amounts owed to Land Securities Capital Markets Plc – due after more than one year	3,295,204	-
	<b>3,594,835</b>	<b>3,593,541</b>

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%.

9. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Fair value of derivative instruments	1,075	81,155
Accruals	26,077	29,835
Amount owed to a group undertaking	98,417	98
	<b>125,569</b>	<b>111,088</b>



#### 10. Borrowings

	2010 £'000	2009 £'000
Unamortised issue (expenses)/gains	-	117
Syndicated bank debt	-	1,500,000
Amount owed to a group undertaking	-	640,000
	-	2,140,117

The Loan Notes are secured on a fixed and floating pool of assets held by group companies ('The Security Group') giving debt investors security over a pool of investment properties valued at £7.8bn at 31 March 2010 (2009: £7.5bn). The debt structure has a tiered covenant regime which gives substantial operational flexibility when loan to value and interest cover in The Security Group is less than 65% and more than 1.45 times, respectively. When these limits are exceeded, operational restrictions increase significantly and could act as an incentive to reduce gearing.

The fixed rate Loan Notes are listed on the Irish Stock Exchange and their fair values are based on their respective market prices. The fair value of these Notes from other group undertakings as at 31 March 2010 was £3,552.0m (2009 £3,092.1m) based on offer prices. All other borrowings were at floating rates and therefore the fair value was not materially different from book value.

At 31 March 2010, the Company has a £1.5bn authorised credit facility with a legal final maturity of August 2013. The facility is committed and is secured on the assets of The Security Group. The interest rates are floating at LIBOR plus a margin between 0.15% and 0.25%.

Bilateral facilities totalling £650.0m are available to the Group and are secured on the assets of The Security Group. These facilities mature between April and November 2014. The interest rates are floating at LIBOR plus a margin between 1.90% and 2.20%.

The Company had interest rate swaps outstanding with a notional principal of £220.0m (2009: £2,030.0m) which do not qualify for hedge accounting and which terminate in 2014. Once the contracts begin over the period 2013 to 2014 they have fixed interest payments at an average rate of 4.5% (2009: 5.2%) and have floating interest receipts at LIBOR. The fair value of the interest rate swaps is based on the market price of comparable instruments at the balance sheet date.

#### 11. Called up share capital

	Authorised 2010 No.	2009 No.	Allotted and fully paid 2010 £	2009 £
Ordinary shares of £1.00 each	1,000,000	1,000,000	100	100

#### 12. Reserves

	Called up Share Capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2009	-	1,406	1,406
Profit for the financial year	-	498	498
At 31 March 2010	-	1,904	1,904

#### 13. 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.

#### 14. 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.



<b>15. Parent company</b>
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The immediate parent company is Land Securities PLC.

The ultimate parent company at 31 March 2010 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 2010 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.