

Registered Number 5193511

LAND SECURITIES CAPITAL MARKETS PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

## Directors' Report for the year ended 31 March 2012

The directors submit their report with the audited financial statements of the Company for the year ended 31 March 2012.

### 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 final dividend for the year ended 31 March 2012 (2011: £Nil) in addition to the interim dividend of £5.00 per share creating a distribution of £250,000 (2011: £550,000) paid on 30 March 2012.

### 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. It does this by issuing debt in the market and lending the proceeds to the Group's subsidiaries. No changes in the Company's principal activity are anticipated in the foreseeable future.

### FINANCIAL RISK MANAGEMENT

The Company's debt financing exposes it to a variety of financial risks that include the effects of changes in debt market prices, liquidity and interest rates.

The Company's principal financial assets are cash and inter-company loans; it therefore has negligible credit risk. The Company's Notes are listed on the Irish Stock Exchange.

The Company has negligible interest rate risk as all Notes have fixed interest.

While the Company has minimal short-term liquidity requirements, any funding requirements would be covered by committed facilities held by other group companies.

The fair value of the Company's borrowings 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  
D Rough  
M R Wood  
M F Greenslade  
D L F Holt  
C M Gill

(resigned 31 March 2012)

### 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.

Registered Office  
5 Strand  
London  
WC2N 5AF



By order of the Board  
A M De Souza  
Company Secretary  
25 July 2012

Registered in England and Wales  
Registered number: 5193511

**Directors' Responsibilities for the year ended 31 March 2012****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 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 Land Securities Capital Markets PLC for the year ended 31 March 2012

We have audited the financial statements of Land Securities Capital Markets PLC for the year ended 31 March 2012 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 set out on page 2 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.

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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. 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 2012 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.

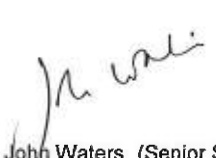
## Opinion on other matter prescribed by the Companies Act 2006

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 Statutory Auditors  
 London  
 25 July 2012

|   |
|---|
| <b>Profit and Loss Account for the year ended 31 March 2012</b> |
|---|

|  | Notes | 2012<br>£'000 | 2011<br>£'000 |
|--|-------|---------------|---------------|
| Interest receivable and similar income               | 3     | 159,903       | 200,734       |
| Interest payable and similar charges                 | 4     | (159,642)     | (200,387)     |
| <b>Profit on ordinary activities before taxation</b> |       | <b>261</b>    | <b>347</b>    |
| Taxation   | 5     | (68)          | (97)          |
| <b>Profit for the financial year</b>                 |       | <b>193</b>    | <b>250</b>    |

|  |
|--|
| <b>Reconciliation of Movements in Total Shareholder's Funds for the year ended 31 March 2012</b> |
|--|

|  | Notes | 2012<br>£'000 | 2011<br>£'000 |
|--|-------|---------------|---------------|
| Profit for the financial year            |       | 193           | 250           |
| Dividends                                | 6     | (250)         | (550)         |
| Accumulated loss for the financial year  |       | (57)          | (300)         |
| <b>Reduction from shareholders funds</b> |       | <b>(57)</b>   | <b>(300)</b>  |
| Opening shareholder's funds              |       | 300           | 600           |
| <b>Closing shareholder's funds</b>       |       | <b>243</b>    | <b>300</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 2012

|   | Notes | 2012<br>£'000 | 2011<br>£'000 |
|---|-------|---------------|---------------|
| <b>Fixed asset investments</b>                                  |       |               |               |
| Loan receivable   | 7     | 3,024,216     | 3,023,532     |
| <b>Current assets</b>   |       |               |               |
| Loan receivable   | 7     | -             | 23,514        |
| Debtors falling due within one year                             | 8     | 41,094        | 17,782        |
| Cash at bank and in hand  |       | 852           | 842           |
|   |       | <u>41,946</u> | <u>42,138</u> |
| <b>Creditors: amounts falling due within one year</b>           | 9     | (41,703)      | (18,324)      |
| <b>Borrowings: amounts falling due within one year</b>          | 10    | -             | (23,514)      |
| <b>Net current assets</b>                                       |       | <u>243</u>    | <u>300</u>    |
| <b>Total assets less current liabilities</b>                    |       | 3,024,459     | 3,023,832     |
| <b>Borrowings: amounts falling due after more than one year</b> | 10    | (3,024,216)   | (3,023,532)   |
| <b>Net assets</b>   |       | <u>243</u>    | <u>300</u>    |
| <b>Capital and reserves</b>                                     |       |               |               |
| Called up share capital   | 11    | 50            | 50            |
| Profit and loss account   | 12    | 193           | 250           |
| <b>Total shareholder's funds</b>                                |       | <u>243</u>    | <u>300</u>    |

The financial statements on pages 4 to 9 were approved and authorised for issue by the board directors on 25 July 2012 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) Taxation

Taxation is charged at the corporation tax rate of 26% (2011: 28%).

### (c) Loan receivable

Loan receivable is recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loan receivable 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, using the effective interest method.

### (d) 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 (2011: 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 £Nil (2011: £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 £1,636 (2011: £1,596). The auditors received no remuneration for non-audit services provided to the Company during the year (2011: £Nil).

## 3. Interest receivable and similar income

|   | 2012<br>£'000  | 2011<br>£'000  |
|---|----------------|----------------|
| On an amount owing from a group undertaking | 159,903        | 200,722        |
| Sundry                                      | -              | 12             |
|   | <u>159,903</u> | <u>200,734</u> |

## 4. Interest payable and similar charges

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Interest payable on external borrowings | 159,642       | 200,387       |



## 5. Taxation

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Analysis of tax charge for the year         |               |               |
| Corporation tax on profit for the year      | 68            | 97            |
| Total current tax                           | 68            | 97            |
| Tax charge on profit on ordinary activities | 68            | 97            |

### 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 26% (2011: 28%).

## 6. Dividends

|                    | 2012<br>£ per share | 2011<br>£ per share | 2012<br>£'000 | 2011<br>£'000 |
|--------------------|---------------------|---------------------|---------------|---------------|
| Ordinary - interim | 5.00                | 11.00               | 250           | 550           |

## 7. Loan Receivable

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Amounts owed from LS Finance Property Company Limited: |               |               |
| Amounts falling due within one year                    | -             | 23,514        |
| Amounts falling due after more than one year           | 3,024,216     | 3,023,532     |
|  | 3,024,216     | 3,047,046     |

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

## 8. Debtors

|                                | 2012<br>£'000 | 2011<br>£'000 |
|--------------------------------|---------------|---------------|
| Corporation tax                | 73            | 64            |
| Prepayments and accrued income | 41,021        | 17,718        |
|                                | 41,094        | 17,782        |

## 9. Creditors: amounts falling due within one year

|                                    | 2012<br>£'000 | 2011<br>£'000 |
|------------------------------------|---------------|---------------|
| Amount owed to a group undertaking | 682           | 606           |
| Accruals and deferred income       | 41,021        | 17,718        |
|                                    | 41,703        | 18,324        |



## 10. Borrowings

|   | 2012                      |   |                     | 2011                      |                                     |                     |
|---|---------------------------|---|---------------------|---------------------------|-------------------------------------|---------------------|
|   | Nominal<br>value<br>£'000 | Unamortised<br>issue<br>expenses<br>£'000 | Book value<br>£'000 | Nominal<br>value<br>£'000 | Unamortised<br>issue costs<br>£'000 | Book value<br>£'000 |
| <b>Short-term borrowings and overdrafts</b> |                           |   |                     |                           |                                     |                     |
| 4.625 per cent Notes due 2013               | -                         | -   | -                   | 23,514                    | -                                   | 23,514              |
|   | -                         | -   | -                   | 23,514                    | -                                   | 23,514              |
| <b>Non-current borrowings</b>               |                           |   |                     |                           |                                     |                     |
| 5.292 per cent Notes due 2015               | 122,726                   | (6)                                       | 122,720             | 122,726                   | (101)                               | 122,625             |
| 4.875 per cent Notes due 2019               | 400,000                   | (2,614)                                   | 397,386             | 400,000                   | (1,814)                             | 398,186             |
| 5.425 per cent Notes due 2022               | 255,328                   | (645)                                     | 254,683             | 255,328                   | (707)                               | 254,621             |
| 4.875 per cent Notes due 2025               | 300,000                   | (2,472)                                   | 297,528             | 300,000                   | (2,628)                             | 297,372             |
| 5.391 per cent Notes due 2026               | 210,675                   | (780)                                     | 209,895             | 210,675                   | (826)                               | 209,849             |
| 5.391 per cent Notes due 2027               | 608,838                   | (2,352)                                   | 606,486             | 608,881                   | (2,604)                             | 606,277             |
| 5.376 per cent Notes due 2029               | 317,581                   | (1,522)                                   | 316,059             | 317,602                   | (1,583)                             | 316,019             |
| 5.396 per cent Notes due 2032               | 322,688                   | (1,823)                                   | 320,865             | 322,775                   | (1,880)                             | 320,895             |
| 5.125 per cent Notes due 2036               | 500,000                   | (1,406)                                   | 498,594             | 500,000                   | (2,312)                             | 497,688             |
|   | 3,037,836                 | (13,620)                                  | 3,024,216           | 3,037,987                 | (14,455)                            | 3,023,532           |

Interest on all the Company's debt is charged at fixed rates and denominated in sterling.

The Company has the option to repay any of the Notes at par in the two years prior to the stated maturity date.

The maturity and repayment profile of the Company's undiscounted borrowings are set out below:

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Less than one year                              | -             | 23,514        |
| More than one year but less than two years      | -             | -             |
| More than two years but no more than five years | 122,726       | 122,726       |
| More than five years                            | 2,915,110     | 2,915,261     |
|   | 3,037,836     | 3,061,501     |

### Medium term notes (MTN)

The 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 £8.8bn at 31 March 2012 (2011: £8.7bn). 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.

### Financial risk management

#### Financial risk factors

The Company's debt financing exposes it to a variety of financial risks that include the effects of changes in debt market prices, liquidity and interest rates.

#### Credit risk

The Company's principal financial assets are cash and inter-company loans, and therefore has limited credit risk. The Company's Notes are listed on the Irish Stock Exchange.

#### Interest rate risk

The Company has negligible interest rate risk as all Notes have fixed interest.

#### Liquidity risk

While the Company has minimal short-term liquidity requirements, any funding requirements would be covered by committed facilities held by other group companies.

#### Fair Value

The fair value of the Company's borrowings varies according to the changes in the market cost of borrowing. The Company's Notes are listed on the Irish Stock Exchange and their fair values are based on their respective market prices. The fair value of the Company's borrowings at 31 March 2012 was £3,368,449,717 (2011: £3,105,300,000) based on offer prices.

#### Sensitivity analysis

A sensitivity analysis has not been produced as the risks that the Company is exposed to are negligible.

### 11. Called up share capital

|                               | 2012<br>Number | Authorised<br>2011<br>Number | Allotted and fully paid<br>2012<br>£'000 | 2011<br>£'000 |
|-------------------------------|----------------|------------------------------|--|---------------|
| Ordinary shares of £1.00 each | 1,000,000      | 1,000,000                    | 50                                       | 50            |

### 12. Reserves

|                               | Called up<br>Share<br>Capital<br>£'000 | Profit and<br>Loss<br>Account<br>£'000 | Total<br>£'000 |
|-------------------------------|--|--|----------------|
| At 1 April 2011               | 50                                     | 250                                    | 300            |
| Profit for the financial year | -                                      | 193                                    | 193            |
| Dividends paid                | -                                      | (250)                                  | (250)          |
| At 31 March 2012              | 50                                     | 193                                    | 243            |

### 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.

### 15. Parent company

The immediate parent company is Land Securities PLC.

The ultimate parent company at 31 March 2012 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 2012 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.