

Registered Number 5163698

LS PROPERTY FINANCE COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

Strategic Report for the year ended 31 March 2015

The directors present their strategic report with audited financial statements of the Company for the year ended 31 March 2015.

RESULTS FOR THE YEAR

The results are set out in the Income Statement on page 5.

During the year the Company adopted Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

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.

At 31 March 2015 the Company had a £1.255bn committed facility due March 2020 and four bilateral facilities totalling £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
J. Miller, for and on behalf of LS Company Secretaries Limited,
Company Secretary
1 December 2015

Registered in England and Wales
Registered number: 5163698

Directors' Report for the year ended 31 March 2015

The directors present their report with audited financial statements of the Company for the year ended 31 March 2015.

PRINCIPAL ACTIVITY

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.

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 March 2015 (2014: £Nil).

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	(resigned 20 March 2015)
D Rough	(resigned 18 July 2015)
M R Wood	
M F Greenslade	
M P Cadwaladr	
J Gillard	(appointed 20 March 2015)

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.

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.

Registered Office
5 Strand
London
WC2N 5AF



By order of the Board
L Miller, for and on behalf of LS Company Secretaries Limited,
Company Secretary
8 December 2015

Registered and domiciled in England and Wales
Registered number: 5163698

Directors' Responsibilities for the year ended 31 March 2015**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report, the Strategic 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 (Financial Reporting Standard 101 'Reduced Disclosure Framework'). 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 Financial Reporting 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 the Members of LS Property Finance Company Limited for the year ended 31 March 2015

We have audited the financial statements of LS Property Finance Company Limited for the year ended 31 March 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 auditors

As explained more fully in the Statement of Directors' Responsibilities 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 2015 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.

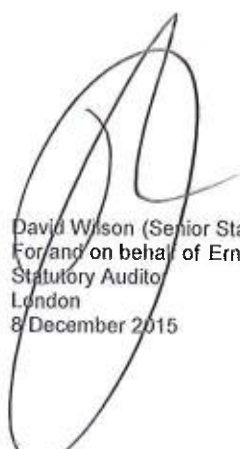
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



David Wilson (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
8 December 2015

Income Statement for the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Other interest receivable and similar income	5	180,875	182,609
Interest payable and similar charges	5	(180,777)	(182,543)
Profit on ordinary activities before taxation		98	66
Taxation	6	(21)	(15)
Profit for the financial year		77	51


Statement of comprehensive income for the year ended 31 March 2015
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	2015 £'000	2014 £'000
Profit for the financial year	77	51
Other comprehensive income for the financial year	-	-
Total comprehensive income for the financial year	77	51

Balance Sheet as at 31 March 2015

	Notes	2015 £'000	2014 £'000	2013 £'000
Fixed assets				
Loans receivable	7	3,678,600	2,927,891	3,402,125
		<u>3,678,600</u>	<u>2,927,891</u>	<u>3,402,125</u>
Current assets				
Loans receivable	7	-	500,000	122,699
Debtors	8	54,330	22,653	81,723
Bank deposits		-	-	16,857
Cash at bank and in hand		3,411	3,748	3,313
		<u>57,741</u>	<u>526,401</u>	<u>224,592</u>
Creditors: amounts falling due within one year				
Borrowings	11	-	(500,000)	-
Loans payable	9	(16,487)	(19,535)	(211,031)
Derivative financial instruments	12	(31)	(3,710)	(10,666)
		<u>(16,518)</u>	<u>(523,245)</u>	<u>(221,697)</u>
Net current assets		<u>41,223</u>	<u>3,156</u>	<u>2,895</u>
Creditors: amounts falling due after more than one year				
Borrowings	11	(775,000)	(25,000)	(500,000)
Trade and other payables	10	(2,904,120)	(2,903,101)	(2,902,125)
Derivative financial instruments	12	(37,680)	-	-
		<u>(3,716,800)</u>	<u>(2,928,101)</u>	<u>(3,402,125)</u>
Net assets		<u>3,023</u>	<u>2,946</u>	<u>2,895</u>
Capital and reserves				
Share capital	13	-	-	-
Profit and loss account		3,023	2,946	2,895
Total shareholder's funds		<u>3,023</u>	<u>2,946</u>	<u>2,895</u>

The financial statements on pages 5 to 11 were approved by the Board of Directors on 8 December 2015 and were signed on its behalf by:



M P Cadwaladr
Director

Statement of changes in equity

	Ordinary shares £'000	Retained earnings £'000	Total £'000
At 1 April 2013	-	2,895	2,895
Profit for the year ended 31 March 2014		51	51
Total comprehensive income for the year ended 31 March 2014	-	51	51
Transactions with owners:			
Dividends	-	-	-
At 31 March 2014	-	2,946	2,946
Profit for the year ended 31 March 2015	-	77	77
Total comprehensive income for the year ended 31 March 2015	-	77	77
Transactions with owners:			
Dividends	-	-	-
At 31 March 2015	-	3,023	3,023

1. Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared under the historical cost convention. These are the first financial statements of the Company prepared in accordance with FRS 101.

The results of the Company are included in the consolidated financial statements of Land Securities Group PLC which are available from 5 Strand, London, WC2N 5AF.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2015. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£'000).

The company has transitioned from previously extant UK GAAP to new UK GAAP (FRS 101) for all periods presented. The company has early adopted FRS 101 for the period beginning 1 April 2014. There were no material adjustments to the financial statements arising on the adoption of FRS 101 and hence no reconciliations of equity and profit or loss have been prepared.

The Company has taken advantage of the following disclosure exemptions under FRS 101 for financial institutions:

- (a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1 'Presentation of Financial Statements';
- (b) the requirements of IAS 7 'Statement of Cash Flows';
- (c) the requirements of paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- (d) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

2. Significant accounting policies

The accounting policies which follow set out those which apply in preparing the financial statements for the year ended 31 March 2015.

(a) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or fewer. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

(b) Interest rate swaps

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 fair value of interest-rate swaps is based on broker or counterparty quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date.

(c) 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 income statement account over the period of the borrowings, using the effective interest method.

(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) Interest receivable and interest payable

Interest receivable and interest payable 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 notes.

(f) Income taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

3. Critical accounting judgements and key estimations of uncertainty

The Company's significant accounting policies are stated in note 2 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

(a) Loans to Group undertakings

The Company is required to judge when there is sufficient objective evidence to require the impairment of loans to Group undertakings. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the counterparty and the status of any disputed amounts.

4. Management and administrative expenses

(a) Management services

The Company had no employees during the year (2014: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, which is a fellow subsidiary of Land Securities Group PLC.

(b) Directors' emoluments

The directors received no remuneration for qualifying services to the Company (2014: £Nil).

(c) Auditor's remuneration

The proportion of the Group auditor's remuneration which relates to the Company amounts to £1,545 (2014: £1,545), which is borne by Land Securities Properties Limited. The auditor received no remuneration for non-audit services provided to the Company during the year (2014: £Nil).

5. Net interest (expense)/ income

	2015 £'000	2014 £'000
Interest payable and similar charges		
Borrowings	(17,333)	(13,897)
Amortisation of bond issue costs	(155)	(148)
Other financing costs	(11,686)	(6,136)
Fair value losses on interest rate swaps	(34,007)	-
On amounts owing to Group undertakings	(113,137)	(162,362)
Exceptional interest	(4,459)	-
Total interest expense	(180,777)	(182,543)
Other interest receivable and similar income		
Bank interest	3	32
Amortisation of bond issue gains	-	3
Interest receivable on loans to Group undertakings	180,872	175,613
Fair value gains on interest rate swaps	-	6,961
Total interest income	180,875	182,609
Net interest income	98	66

6. Income tax

	2015 £'000	2014 £'000
Current tax		
Income tax on profit for the year	21	15
Total income tax charge in the income statement	21	15
Total tax charge	21	15
Factors affecting the tax charge for the year		
The current income tax charge for the year equates to (2014: equates to) the standard rate of corporation tax in the UK of 21% (2014: 23%).		
Profit before tax	98	66
Profit before tax multiplied by the rate of corporation tax in the UK of 21% (2014: 23%)	21	15
Total income charge in the income statement (as above)	21	15

7. Loans to Group undertakings

	2015 £'000	2014 £'000
Amounts owed to LS Property Finance Company Limited:		
Amounts falling due within one year	-	500,000
Amounts falling due after more than one year	3,678,600	2,927,891
	<u>3,678,600</u>	<u>3,427,891</u>

The unsecured loan to the Group undertaking Land Securities (Finance) Company Limited includes fixed rate loan notes with maturities between 2019-2036 and syndicate/bilateral debt with maturities between 2016-2020. It is repayable when the loan it relates to is repaid. Interest on the fixed rate loan note is charged at the interest rate of 4.625% on the related note plus 0.01%. Interest on the facilities is charged at LIBOR + margin plus 0.01%.

8. Debtors

	2015 £'000	2014 £'000
Amounts owed from Group undertakings	29,919	-
Corporation tax	123	318
Prepayments and accrued income	24,288	22,335
	<u>54,330</u>	<u>22,653</u>

9. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Amounts owed to Group undertakings	-	1,816
Accruals	16,487	17,719
Total creditors amounts falling due within one year	<u>16,487</u>	<u>19,535</u>

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

	2015 £'000	2014 £'000
Unamortised issue expenses	260	105
Amounts owed to Group undertakings	2,903,860	2,902,996
Total creditors amounts falling due after more than one year	<u>2,904,120</u>	<u>2,903,101</u>

The unsecured loan from the Group undertaking Land Securities Capital Markets Plc relates to fixed rate loan notes with maturities between 2019-2036. It is repayable when the note it relates to is repaid. Interest is charged at the interest rate of 4.625% on the related note plus 0.01%.

11. Borrowings

	Effective interest rate	Nominal/ notional value £'000	2015 Fair value £'000	Book value £'000	Nominal/ notional value £'000	2014 Fair value £'000	Book value £'000
	%						
Current borrowings							
Bilateral facilities	LIBOR + margin	-	-	-	500,000	500,000	500,000
Non-current borrowings							
Syndicated bank debt	LIBOR + margin	180,000	180,000	180,000	15,000	15,000	15,000
Bilateral facilities	LIBOR + margin	595,000	595,000	595,000	10,000	10,000	10,000
Total non-current borrowings		<u>775,000</u>	<u>775,000</u>	<u>775,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Total borrowings		<u>775,000</u>	<u>775,000</u>	<u>775,000</u>	<u>525,000</u>	<u>525,000</u>	<u>525,000</u>

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

	2015 £'000	2014 £'000
Less than one year	10,463	501,265
More than one year but less than two years	506,658	422
More than two years but no more than five years	103,516	25,508
More than five years	180,024	-
	800,661	527,195

12. Derivatives

	2015 £'000	2014 £'000
Fair value of derivative financial instruments		
Current liabilities	31	3,710
Non-current liabilities	37,680	-
	37,711	3,710
Notional amount		
	2015 £'000	2014 £'000
Interest-rate swaps	900	1,120
	900	1,120

The fair values of the financial instruments have been determined by reference to relevant market prices, where available. The fair values of the Company's outstanding interest-rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates. These valuation techniques fall within level 2, as defined by IFRS 13.

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.

Interest rate risk

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

Liquidity risk

The Company actively maintains a mixture of facilities with final maturities between 2016 and 2020. Any short-term liquidity requirement is minimal and funding requirements can be covered by the committed facilities held by other Group companies.

Foreign currency risk

All assets and liabilities held by the Company are denominated in pound sterling therefore there is no exposure to foreign currency risk at 31 March 2015 and 31 March 2014.

Sensitivity analysis

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

13. Ordinary share capital

	2015 Number	Issued 2014 Number	Allotted and fully paid 2015 £	2014 £
Ordinary shares of £1.00 each	100	100	100	100

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 FRS 101 not to make disclosure of transactions with other wholly owned subsidiaries.

15. Parent company

The immediate parent company is Land Securities PLC.

The ultimate parent company and controlling party at 31 March 2015 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.