Company No 4161721

LS BANKSIDE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM 01 MARCH 2005 TO 31 MARCH 2006

Directors' Report for the thirteen month period ended 31 March 2006

The director submits its report with the financial statements for the period ended 31 March 2006

The results are set out in the profit and loss account on page 3

The director does not recommend the payment of a dividend for the period ended 31 March 2006 (2005 £Nil)

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company commenced trading during the year The Company's business is that of property investment and development of offices and shops in London No changes in the Company's principal activity are anticipated in the foreseeable future

DIRECTORS

The directors who held office during the period and at the date of this report unless otherwise stated were

Land Securities Management Services Limited
Mikjon Limited (resigned 23 May 2005)

The directors had no interests in the shares of the Company throughout the period

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information of which the auditors are unaware and the director has taken all reasonable steps to make itself aware of any relevant audit information and to establish that the auditors are aware of that information

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

Registered Office
5 Strand
London WC2N 5AF

By order of the Board
P M Dudgeon
Secretary
29 March 2007

Registered in England and Wales
Company No 4161721

Directors' Responsibilities for the thirteen month period ended 31 March 2006

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 period 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

The directors confirm that they have complied with the above requirements in preparing the financial statements

Independent Auditors' Report to the Members of LS Bankside Limited for the thirteen month period ended 31 March 2006

We have audited the financial statements of LS Bankside Limited for the period ended 31 March 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the period then ended, and
- have been properly prepared in accordance with the Companies Act 1985
- the information in the directors report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
29 March 2007

Profit and loss account for the thirteen month period ended 31 March 2006

	Notes	Thirteen months ended 31 March 2006 £'000	Year ended 28 February 2005 £'000
Gross property income	2	**15**	-
Net rental income	2	**(51)**	-
Property management and administration expenses	3	**(256)**	-
Loss before interest and taxation		**(307)**	-
Interest payable and similar charges	4	**(117)**	-
Loss on ordinary activities before taxation		**(424)**	-
Taxation	5	**127**	-
Accumulated loss for the financial period		**(297)**	-

Statement of total recognised gains and losses for the period ended 31 March 2006

	Thirteen months ended 31 March 2006 £'000	Year ended 28 February 2005 £'000
Loss on ordinary activities after taxation	**(297)**	-
Unrealised surplus on revaluation of properties	**16,178**	-
Total gains and losses recognised since the last financial statements	**15,881**	-

The loss for the financial period arises from continuing operations There is no difference between reported loss and historical cost loss on ordinary activities before taxation

Balance sheet at 31 March 2006

	Notes	31 March 2006 £'000	28 February 2005 £'000
Fixed assets			
Tangible assets			
Investment properties	6	**68,400**	-
Current assets			
Debtors	7	**152**	-
			-
Creditors falling due within one year	8	**(52,671)**	-
Net current liabilities		**(52,519)**	-
Total assets less current liabilities		**15,881**	-
Capital and reserves			
Called up share capital	9	**-**	-
Revaluation reserve	10	**16,178**	-
Profit and loss account	10	**(297)**	-
Equity shareholder's funds		**15,881**	-

For and on behalf of Land Securities Management Services Limited
Director

The financial statements on pages 3 to 8 were approved by the directors on 29 March 2007

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 Compliance with SSAP19 'Accounting for Investment Properties' requires a departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of this departure is given in (d)(iii) below

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

Surpluses and deficits relating to previous years realised on investment properties sold during the year are transferred directly from the revaluation reserve to retained profits and do not pass through the profit and loss account

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) Investment properties
(i) Valuation
Investment properties, including those that comprise part of the development programme, are carried in the financial statements at market values based on the latest professional valuation A valuation was carried out by Knight Frank as at 31 March 2006 Properties are treated as acquired when the Company enters into an unconditional purchase contract and as sold when subject to an unconditional contract for sale Additions to properties consist of costs of a capital nature and, in the case of investment properties under development, certain capitalised interest (see Note (d)(ii) below)

Pre-commitment expenditure incurred in studying the feasibility of potential development and refurbishment schemes is written off to the profit and loss account and included in 'other direct property expenditure' if it is likely that the related project will be abortive or that the expenditure will be of no benefit to an alternative scheme that is being pursued Prior to the decision being made as to whether a potential development or refurbishment scheme should proceed or be aborted, pre-commitment costs are carried as a prepayment in the balance sheet

Certain internal staff and associated costs directly attributable to the management of major development schemes during the construction phase are capitalised Other overhead costs in respect of developments and refurbishments are treated as revenue expenditure and written off as incurred

(ii) 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

(iii) Depreciation and amortisation
In accordance with SSAP19, depreciation is not provided on investment properties that are held as freeholds or on leases having more than 20 years unexpired This is a departure from the Companies Act 1985 which requires all tangible assets to be depreciated In the opinion of the directors, this departure is necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which require properties to be included in the financial statements at market value The effect of depreciation is implicitly reflected in the valuation of investment properties, and the amount attributable to this factor cannot reasonably be separately identified or quantified by the valuers Had the provisions of the Act been followed, net assets would not have been affected but revenue profits would have been reduced for this and earlier years and revaluation surpluses/deficits would have been correspondingly increased/decreased

2 Net rental income

	Thirteen months ended 31 March 2006 £'000	Year ended 28 February 2005 £'000
Rental income	15	-
Service charges and other recoveries	-	-
Gross property income	15	-
Other direct property or contract expenditure	(66)	-
Management charge	(256)	-
Operating loss	(307)	-

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 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 Company (2005 £Nil)

c) Auditors' remuneration
The Groups auditors' remuneration is borne by Land Securities Properties Limited The proportion of the remuneration which relates to the Company amounts to £1,400 (2005 £Nil)

4 Interest payable and similar charges

	Thirteen months ended 31 March 2006 £'000	Year ended 28 February 2005 £'000
On an amount owed to a group undertaking	117	-

5 Taxation

	Thirteen months ended 31 March 2006 £'000	Year ended 28 February 2005 £'000
Analysis of tax credit for the period		
Corporation tax on loss for the period	(127)	-
Tax credit for the period	**(127)**	-

Factors affecting the tax credit for the period

The current tax credit for the period equates to the standard rate of corporation tax in the UK of 30%

The amount of tax on capital gains which would become payable in the event of sales of the properties being sold at the amounts which they are stated in Note 6 is in the region of £3 7 million (2005 £Nil)

6 Investment properties

	Freehold £'000	Total £'000
At 1 March 2005	-	-
Additions	52,222	52,222
Unrealised surplus on revaluation of investment properties	16,178	16,178
Net book value at 31 March 2006	**68,400**	**68,400**
Net book value at 28 February 2005	-	-

The historical cost of the investment properties is £52,221,555 (2005 £Nil)

At 31 March 2006 the cumulative interest capitalised in relation to investment properties under development amounts to £Nil (2005 £Nil)

7 Debtors

	31 March 2006 £'000	28 February 2005 £'000
Trade debtors	15	-
Other debtors	6	-
Amounts owed from a group undertaking	4	-
Corporation tax	127	-
	152	-

8 Creditors falling due within one year

	31 March 2006 £'000	28 February 2005 £'000
Capital creditors	2,329	-
Amount owed to a group undertaking	50,079	-
Accruals and deferred income	263	-
	52,671	-

The unsecured loan from the group undertaking is repayable on demand with no fixed repayment date Interest is charged at a 5 5% per annum (2005 Nil)

9 Called up share capital

	Authorised		Allotted and fully paid	
	31 March 2006 £	28 February 2005 £	**31 March 2006 £**	28 February 2005 £
Ordinary shares of £1 00 each	**1,000**	1,000	**1**	1

10 Reserves

	Called up Share Capital £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
At 1 March 2005	-	-	-	-
Unrealised surplus on revaluation of properties	-	16,178	-	16,178
Accumulated loss for the period	-	-	(297)	(297)
At 31 March 2006	-	**16,178**	**(297)**	**15,881**

11 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

12 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

13 Parent company

The immediate parent company is LS Bankside Development Limited

The ultimate parent company at 31 March 2006 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 2006 for Land Securities Group PLC can be obtained from the Secretary, 5 Strand, London WC2N 5AF

14 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