Registered Number 1160C

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARTCH 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 5

The directors do not recommend the payment of a dividend for the year ended 31 March 2012 (2011 £Nil)

The 2011 comparative balances have been restated as a result of the book value of a property disposed in 2011 being overstated by £11 7m Part of the book value attributed to the disposal in 2011 was in relation to a property owned by LS Arundel (North) Limited

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company has continued its business of property investment and as a holding company in the United Kingdom No changes in the Company's principal activity are anticipated in the foreseeable future

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk facing the Company is that poor performance of the investment property might have a material impact on the asset valuation and rental income in the financial statements The Company's performance during the year indicates a satisfactory performance of the investment property held

FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity risk, credit risk and interest rate risk Given the absence of external borrowings in the Company, these risks are not considered material

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

The Company's principal financial assets are trade and other debtors, and therefore the credit risk it faces is primarily attributable to its trade debtors The amounts presented in the Balance Sheet are net of doubtful debts An allowance for impairment is made where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtors concerned

There is no material difference between the book value and the fair value of the financial instruments

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Group's Annual Report, which does not form part of this report

CREDITOR PAYMENT POLICY

Land Securities Properties Limited, a fellow group undertaking, manages payments to suppliers for the Land Securities Group The Company agrees the terms and conditions under which business transactions with its suppliers are conducted It is policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions Trade creditors at 31 March 2012 were equivalent to 27 days of purchases during the year ended on that date

GOING CONCERN

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Land Securities Group PLC The directors have received confirmation that Land Securities Group PLC intends to support the Company for at least one year after these financial statements are signed

DIFFERENCES BETWEEN MARKET AND BALANCE SHEET VALUE OF LAND

In the opinion of the directors, the difference between the market value and balance sheet value of land is not significant

Directors' Report for the year ended 31 March 2012 (continued)

DIRECTORS

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

C M Gill
R M Noel
LS Director Limited
Land Securities Portfolio Management Limited

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 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

LF Turner

Registered Office
5 Strand
London WC2N 5AF

By order of the Board
L F Turner, for and on behalf of LS Company Secretaries Ltd,
Company Secretary
26 October 2012

Registered in England and Wales
Registered number 1160C

Directors' Responsibilities for the year ended 31 March 2012

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 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 The City of London Real Property Company Limited for the year ended 31 March 2012

We have audited the financial statements of The City of London Real Property Company Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Reconciliation of Movements in Total Shareholders' Funds, the Balance Sheet, the Accounting Policies 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 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

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 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
26 October 2012

Profit and Loss Account for the year ended 31 March 2012

	Notes	2012 £'000	2011 (As restated) £'000
Turnover Gross property income	2	**42,781**	50,781
Net rental income	2	**28,115**	31,983
Property management and administrative expenses	3	**(1,994)**	(2,206)
Operating profit		**26,121**	29,777
Profit on sale of properties	7	879	5,506
Loss on disposal of subsidiary undertakings		(440)	-
Profit before interest and taxation		**26,560**	35,283
Interest receivable and similar income	4	**53**	1
Interest payable and similar charges	5	**(5,458)**	(10,919)
Profit on ordinary activities before taxation		**21,155**	24,365
Taxation	6	**(14)**	(181)
Profit for the financial year		**21,141**	24,184

Statement of Total Recognised Gains and Losses for the year ended 31 March 2012

	Notes	2012 £'000	2011 (As restated) £'000
Profit for the financial year		**21,141**	24,184
Unrealised surplus on revaluation of investment properties	7, 15	**20,070**	91,265
Total gains and losses recognised since the last financial statements		**41,211**	115,449

Note of Historical Cost Profits and Losses for the year ended 31 March 2012

	Notes	2012 £'000	2011 (As restated) £'000
Profit on ordinary activities before taxation		**21,155**	24,365
Revaluation deficit arising in previous years now realised on sale of investment properties		**(4,888)**	(234,167)
Historical cost profit / (loss) on ordinary activities before taxation		**16,267**	(209,802)
Taxation	6	**(14)**	(181)
Historical cost profit / (loss) for the financial year		**16,253**	(209,983)

Reconciliation of Movements in Total Shareholder's Funds for the year ended 31 March 2012

	Notes	2012 £'000	2011 (As restated) £'000
Profit for the financial year		**21,141**	24,184
Unrealised surplus on revaluation of investment properties	7, 15	**20,070**	91,265
Addition to shareholder's funds		**41,211**	115,449
Opening shareholder's funds		**637,996**	522,547
Closing shareholder's funds		**679,207**	637,996

All amounts arise from continuing operations

Balance Sheet as at 31 March 2012

	Notes	2012	2011 (As restated)
		£'000	£'000
Fixed assets			
Tangible assets			
Investment properties	7	**785,154**	747,725
Current assets			
Debtors	9	**19,382**	43,334
Creditors amounts falling due within one year	10	**(122,629)**	(152,585)
Net current liabilities		**(103,247)**	(109,251)
Total assets less current liabilities		**681,907**	638,474
Creditors amounts falling due after more than one year	11	**(45)**	(466)
Provision for liabilities and charges	13	**(2,655)**	(12)
Net assets		**679,207**	637,996
Capital and reserves			
Called up share capital	14	**269,637**	269,637
Share premium account	15	**2,930**	2,930
Revaluation reserve	15	**176,121**	151,163
Profit and loss account	15	**230,519**	214,266
Total shareholder's funds		**679,207**	637,996

The financial statements on pages 5 to 11 were approved and authorised for issue by the board directors on 26 October 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, modified by the revaluation of investment properties Compliance with SSAP19 'Accounting for Investment Properties' requires a departure from the requirements of the Companies Act 2006 relating to depreciation and amortisation and an explanation of this departure is given in (e) 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 the profit and loss reserve 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 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) Interest
Interest is accounted for on an accruals basis

(d) Taxation
Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years

(e) Investment properties
i Valuation
Investment properties are those properties, either owned by the Company or where the Company is a lessee under a finance lease, that are held either to earn rental income or for capital appreciation or both

Investment properties are measured initially at cost, including related transaction costs After initial recognition at cost, investment properties are carried at their market value based on valuations determined by professional external valuers at each reporting date Any gain or loss on re-measurement is taken direct to equity unless any loss in the period exceeds any net cumulative gain previously recognised in equity In the latter case, the amount by which the loss in the period exceeds the net cumulative gain previously recognised is taken to the Profit and Loss Account if considered permanent in nature, otherwise is recognised in equity

Properties are treated as acquired at the point when the Company assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, capitalised interest (see note (ii) below) Certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase are also capitalised

ii Capitalisation of interest
Borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised The interest capitalised is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment Interest is capitalised as from the commencement of the development work until the date of practical completion The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted Interest is also capitalised on the purchase cost of a site or property acquired specifically for redevelopment in the short-term but only where activities necessary to prepare the asset for redevelopment are in progress

iii Depreciation and amortisation
In accordance with SSAP19 'Accounting for Investment Properties', 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 2006 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

(f) Investment in subsidiary undertakings
The Company's investments in the shares of subsidiary undertakings are carried at cost less provision for impairment in value

(g) Impairment of assets
Assets are reviewed annually for impairment Where impairment exists the asset is written down to its net realisable value

(h) Debtors
All trade debtors are recognised at the amounts receivable less any provision for doubtful debts Recoverability of trade debtors is reviewed on an ongoing basis

(i) Segmental reporting
The Company's activities consist solely of property investment and shares in the United Kingdom

(j) Group accounts
The financial statements present information about the Company as an individual undertaking and not about its group The Company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary of Land Securities Group PLC, a Company incorporated in England and Wales whose consolidated financial statements are publicly available

2. Net rental income

	2012 £'000	2011 £'000
Rental income	32,774	37,466
Service charges and other recoveries	10,007	12,671
Development contract income	-	644
Gross property income	42,781	50,781
Other direct property or contract expenditure	(14,666)	(18,798)
Net rental income	28,115	31,983

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

The operating lease rentals for land and buildings for the year amounts to **£2,668,659** (2011 £2,811,239)

3 Property management and administrative expenses

Property management and administrative 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 (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 of negligible value (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)

4. Interest receivable and similar income

	2012 £'000	2011 £'000
Sundry	53	1

5. Interest payable and similar charges

	2012 £'000	2011 £'000
On an amount owed to a group undertaking	6,309	10,916
Sundry	4	3
	6,313	10,919
Less Capitalised as costs of properties under development	(855)	-
	5,458	10,919

6. Taxation

	2012 £'000	2011 (As restated) £'000
Analysis of tax charge for the year		
Corporation tax on profit for the year	**14**	181
Tax charge on profit on ordinary activities	**14**	181
Factors affecting the tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of **26%** (2011 28%) The differences are explained below		
Profit on ordinary activities before taxation	**21,155**	24,365
Profit on ordinary activities multiplied by the standard rate in the UK at **26%** (2011 28%)	**5,500**	6,822
Effect of		
Increased rate of tax on losses on disposal of assets	**114**	-
Exempt property rental profits in the year ended 31 March 2012 / 31 March 2011	**(5,590)**	(7,306)
Exempt property gains in the year ended 31 March 2012 / 31 March 2011	**(10)**	665
Current tax charge for the year	**14**	181

Land Securities Group PLC is a Real Estate Investment Trust ('REIT') As a result the Company does not pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions Non-qualifying profits and gains of the Company continue to be subject to corporation tax as normal

7. Investment properties

	Freehold £'000	Leasehold >50 years to run £'000	<50 years to run £'000	Total £'000
At 1 April 2011 as previously stated	86,172	661,649	(96)	747,725
Additions	14,532	2,474	-	17,006
Disposals	6	347	-	353
Unrealised (deficit) / surplus on revaluation of investment properties	(9,608)	29,910	(232)	20,070
Net book value at 31 March 2012	**91,102**	**694,380**	**(328)**	**785,154**
Net book value at 31 March 2011	86,172	661,649	(96)	747,725

The historical cost of the investment properties is **£613,089,166** (2011 £600,575,952) The valuations are prepared by Knight Frank LLP, independent valuers in accordance with the valuation principles of the Appraisal and Valuation manual of the Royal Institute of Chartered Surveyors

At 31 March 2012 the cumulative interest capitalised in relation to investment properties under development amounts to **£17,336,825** (2011 £16,481,694)

8 Investment in subsidiary undertakings

The directors believe that the carrying value of the investments is supported by their underlying net assets

The subsidiary undertakings of the Company are

Name	Class of shares owned	Percentage of share capital owned	Principal country of incorporation	Nature of business
LS Arundel (North) Limited	£1 Ordinary shares	100%	England	Property investment
LS Arundel Nominee No 1 Limited	£1 Ordinary shares	100%	England	Dormant
LS Ludgate (No 1) Limited	£1 Ordinary shares	100%	England	Dormant
LS Ludgate (No 2) Limited	£1 Ordinary shares	100%	England	Dormant

9. Debtors

	2012 £'000	2011 £'000
Trade debtors	**1,316**	1,339
Property sales debtors	**4,732**	15,402
Other debtors	**87**	44
Prepayments and accrued income	**13,247**	26,549
	19,382	43,334

10. Creditors amounts falling due within one year

	2012 £'000	2011 *(As restated)* £'000
Capital creditors	**825**	5,147
Amount owed to a group undertaking	**105,392**	128,116
Corporation tax	**14**	181
Taxation and social security	**2,117**	2,092
Accruals and deferred income	**14,281**	17,049
	122,629	152,585

The unsecured loan from the group undertaking is repayable on demand with no fixed repayment date Interest is charged at **5 5%** per annum (2011 5 5%) The unsecured loan was repaid during the year

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

	2012 £'000	2011 £'000
Other creditors	**45**	466

12. Operating lease arrangements

At the year end, the Company had annual commitments under non-cancellable operating leases for land and buildings as set out below

	2012 £'000	2011 £'000
Operating leases which expire		
Within one year	**895**	-
Within two to five years	**4**	899
More than five years	**932**	884
	1,831	1,783

The above table is in respect of leases with fixed or minimum lease payments

13. Provision for liabilities and charges

	£'000
At 1 April 2011	**12**
Net charge to the Profit and Loss Account for the year	**1,988**
Reclassified from accruals	**655**
At 31 March 2012	**2,655**

14. Called up share capital

	Allotted and fully paid 2012 £'000	2011 £'000
Ordinary shares of £1 00 each	**269,637**	269,637

15. Reserves

	Called up Share Capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2011 as previously stated	269,637	2,930	151,163	202,589	626,319
Prior year adjustment	-	-	-	11,677	11,677
	269,637	2,930	151,163	214,266	637,996
Unrealised surplus on revaluation of investment properties	-	-	20,070	-	20,070
Realised on disposal of investment properties	-	-	4,888	(4,888)	-
Profit for the financial year	-	-	-	21,141	21,141
At 31 March 2012	**269,637**	**2,930**	**176,121**	**230,519**	**679,207**

16. Contingencies

The Company has contingent liabilities in respect of its properties being charged as security for debenture stocks and other borrowings of a parent company

The Company has a contingent asset in respect of Bankside 4, a property previously owned by the Company The Bankside 4 sale agreement included a profit share in relation to future sales of residential units on the site As at 31 March 2012, it was not virtually certain that an economic benefit would flow to the Company neither could the value of the possible asset be reliably measured Therefore no asset was recognised at this date

17. 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

18. 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

19 Parent company

The immediate parent company is LS London Holdings One Limited

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

20. 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