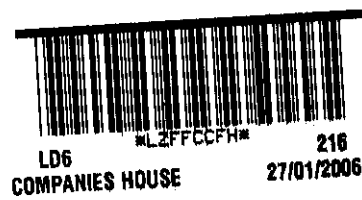


LS GREATER LONDON HOUSE LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2005



**Directors' Report for the period ended 31 March 2005**

The directors submit their report with the financial statements for the period to 31 March 2005.

**INCORPORATION**

The company was incorporated on 4 May 2004.

**RESULTS FOR THE PERIOD AND DIVIDEND**

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

The directors do not recommend the payment of a dividend for the period ended 31 March 2005.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The Company commenced its business of property investment. There will be no change in the Company's principal activity in the foreseeable future.

**DIRECTORS**

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

M Bird (appointed 22 July 2004, resigned 1 September 2004)  
R Heskett (appointed 30 June 2004, resigned 1 September 2004)  
M Wood (appointed 30 June 2004, resigned 1 September 2004)  
Mikjon Limited (appointed 4 May 2004, resigned 30 June 2004)  
Land Securities Management Services Limited (appointed 22 July 2004)  
Land Securities Portfolio Management Limited (appointed 1 September 2004)

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

**AUDITORS**

In accordance with Section 385 of the Companies Act 1985, a resolution will be put to the members at the Annual General Meeting to appoint the auditors, PricewaterhouseCoopers LLP.



By order of the Board  
P M Dudgeon  
Secretary  
20 January 2006

Registered Office  
5 Strand  
London WC2N 5AF

Registered in England and Wales  
Company No. 5118836

**Directors' Responsibilities for the period ended 31 March 2005****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 year 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.

**Independent Auditors' Report to the Members of LS Greater London House Limited for the period ended 31 March 2005**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

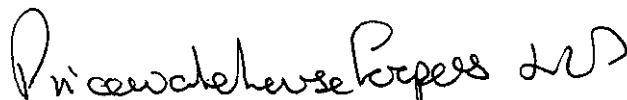
**Basis of audit opinion**

We conducted our audit in accordance with auditing standards 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 of the state of the Company's affairs at 31 March 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
20 January 2006

<b>Profit and loss account for the period ended 31 March 2005</b>
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	Notes	2005 £'000
<b>Gross property income</b>	2	7,091
<b>Net rental income</b>	2	5,394
Property management and administration expenses	3	(794)
<b>Operating profit</b>		4,600
Net interest payable and similar charges	4	(3,860)
<b>Profit on ordinary activities before taxation</b>		740
Taxation	5	(222)
<b>Retained profit for the financial period</b>		518

STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 31 MARCH 2005

<b>Statement of total recognised gains and losses for the period ended 31 March 2005</b>
--

	2005 £'000
Profit on ordinary activities after taxation	518
Unrealised deficit on revaluation of properties	(1,148)
<b>Total gains and losses recognised since the last financial statements</b>	(630)

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

## Balance sheet at 31 March 2005

	Notes	2005 £'000
<b>Fixed assets</b>		
Tangible assets		
Investment properties	6	113,000
<b>Current assets</b>		
Debtors	7	347
<b>Creditors falling due within one year</b>	8	(91,477)
<b>Net current liabilities</b>		(91,130)
<b>Total assets less current liabilities</b>		21,870
<b>Capital and reserves</b>		
Called up share capital	9	-
Share premium account	10	22,500
Revaluation reserve	10	(1,148)
Profit and loss account	10	518
<b>Equity shareholder's funds</b>		21,870

Land Securities Management Services Limited

Director

The financial statements on pages 3 to 8 were approved by the directors on 20 January 2006.

## 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 2005. 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

	2005 £'000
Rental income	5,353
Service charges and other recoveries	1,738
<b>Gross property income</b>	<b>7,091</b>
Other direct property or contract expenditure	(1,697)
Management charges	(794)
<b>Operating profit</b>	<b>4,600</b>

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. Property management and 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 period. Management services were provided to the Company throughout the period 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 group.

### 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 £Nil. In addition to the fees for the audit, £Nil was payable to the auditors for compliance and certification work.

## 4. Interest payable and similar charges

	2005 £'000
On an amount owed to a group undertaking	3,860

## 5. Taxation

	2005 £'000
<b>Analysis of tax charge for the period</b>	
Corporation tax on profit for the period at 30%	222
<b>Total current tax</b>	<b>222</b>
<b>Tax charge for the period</b>	<b>222</b>

### Factors affecting the tax charge for the period

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

The deferred taxation provisions that would be released in the event of sales of the properties on the assumption that the proceeds of qualifying assets equate for tax purposes to the tax written down value would be £Nil. On the same assumption the amount of tax on capital gains which would become payable in the event of the properties being sold at the amounts which they are stated in Note 6 is £Nil.

## 6. Investment properties

	Freehold £'000	Leasehold Over 50 years to run £'000	Under 50 years to run £'000	Total £'000
Additions	114,148	-	-	114,148
Unrealised deficit on revaluation of investment properties	(1,148)	-	-	(1,148)
<b>Net book value at 31 March 2005</b>	<b>113,000</b>	<b>-</b>	<b>-</b>	<b>113,000</b>

The historical cost of the investment property is £114,147,500.

## 7. Debtors

	2005 £'000
Trade debtors	313
Prepayments and accrued income	34
	<b>347</b>

## 8. Creditors falling due within one year

	2005 £'000
Capital creditor	220
Taxation	222
Amount owed to a group undertaking	87,348
Accruals and deferred income	3,675
Other creditors	12
	<b>91,477</b>

The unsecured loan from the group undertaking is repayable on demand with no fixed repayment date. Interest is charged at a market rate.

## 9. Share capital

	Authorised 2005 No.	Allotted and fully paid 2005 £
At 4 May 2004	-	-
Shares issued during the period	1,000	2
<b>Ordinary shares of £1.00 each at 31 March 2005</b>	<b>1,000</b>	<b>2</b>

During the year 2 ordinary shares of £1 each were allotted and fully paid for cash of £22,500,001.



**10. Reserves**

	Ordinary Shares £'000	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
Issue of shares	-	22,500	-	-	22,500
Unrealised deficit on revaluation of properties	-	-	(1,148)	-	(1,148)
Retained profit for the period	-	-	-	518	518
<b>At 31 March 2005</b>	<b>-</b>	<b>22,500</b>	<b>(1,148)</b>	<b>518</b>	<b>21,870</b>

**11. Contingent liabilities**

The Company's properties are charged as security for debenture stocks and other borrowings of a parent company.

**12. 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.

**13. 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.

**14. Parent company**

The ultimate parent company at 31 March 2005 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 2005 for Land Securities Group PLC can be obtained from the Secretary, 5 Strand, London WC2N 5AF.