

VS18 LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2006



Directors' Report for the year ended 31 March 2006

The directors submit their report with the financial statements for the year to 31 March 2006.

RESULTS FOR THE YEAR 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 year ended 31 March 2006 (2005: £Nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company has disposed of its investment property and ceased trading during the year ended 31 March 2006 in anticipation of being wound up. No changes in the Company's dormant status are anticipated in the foreseeable future.

DIRECTORS

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

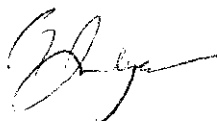
Land Securities Management Services Limited
Land Securities Portfolio Management Limited

Land Securities Portfolio Management Limited owns 100% of the share capital of the company.

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware and each director has taken all reasonable steps to make themselves 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.



By order of the Board
P M Dudgeon
Secretary
24 January 2007

Registered Office
5 Strand
London WC2N 5AF

Registered in England and Wales
Company No. 4364955

Directors' Responsibilities for the year 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 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.

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

Independent Auditors' Report to the Members of VS18 Limited for the year ended 31 March 2006

We have audited the financial statements of VS18 Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet 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 profit for the year 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
24 January 2007

Profit and loss account for the year ended 31 March 2006

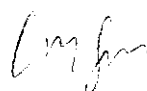
	Notes	2006 £'000	2005 £'000
Gross property income	2	88	82
Net rental income	2	81	63
Property management and administration expenses	2,3	(1)	(13)
Operating profit		80	50
Share of loss on dissolution of partnership		-	(1)
Profit on sales of properties		24	-
Profit before interest and taxation		104	49
Interest receivable and similar income	4	-	3
Interest payable and similar charges	5	(7)	(37)
Profit on ordinary activities before taxation		97	15
Taxation	6	(22)	(14)
Retained profit for the financial year		75	1

The profit for the financial year arises from discontinued operations. There is no difference between reported profit and historical cost profit on ordinary activities before taxation. There are no recognised gains or losses other than those shown in the profit and loss account above.

Balance sheet at 31 March 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Tangible assets			
Investment properties	7	-	1,800
Current assets			
Debtors	8	618	16
Creditors falling due within one year	9	-	(1,195)
Net current assets / (liabilities)		618	(1,179)
Total assets less current liabilities		618	621
Provision for liabilities and charges	10	-	(78)
Net assets		618	543
Capital and reserves			
Called up share capital	11	-	-
Share premium account	12	800	800
Profit and loss account	12	(182)	(257)
Equity shareholder's funds		618	543

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 24 January 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)(ii) 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.

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) 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

	2006 £'000	2005 £'000
Rental income	53	77
Service charges and other recoveries	35	5
Gross property income	88	82
Other direct property or contract expenditure	(7)	(19)
Management charge	(1)	(13)
Operating profit	80	50

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 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). In addition to the fees for the audit, £Nil (2005: £Nil) was payable to the auditors for compliance and certification work.

4. Interest receivable and similar income

	2006 £'000	2005 £'000
Other	-	3
	-	3

5. Interest payable and similar charges

	2006 £'000	2005 £'000
On an amount owed to a group undertaking	-	37
Other	7	-
	7	37

6. Taxation

	2006 £'000	2005 £'000
Analysis of tax charge for the year		
Corporation tax on profit for the year	22	5
Share of corporation tax arising from limited partnership	-	9
Tax charge for the year	22	14
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 30% (2005: 30%).		
The differences are explained below:		
Profit on ordinary activities before taxation	97	15
Tax at 30%	29	5
Share of corporation tax arising from limited partnership	-	9
Reduced rate of tax on profits on disposal of assets	(7)	-
Current tax	22	14

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 7 is in the region of £Nil (2005: £Nil).

7. Investment properties

	Freehold £'000
At 1 April 2005	1,800
Transfers to group undertakings	(1,800)
Net book value at 31 March 2006	-
Net book value at 31 March 2005	1,800

The historical cost of the investment properties is £Nil (2005: £1,800,000).

8. Debtors

	2006 £'000	2005 £'000
Trade debtors	-	6
Corporation tax	2	10
Amounts owed from a group undertaking	616	-
	618	16

9. Creditors falling due within one year

	2006 £'000	2005 £'000
Trade creditors	-	31
Amount owed to a group undertaking	-	1,137
Accruals and deferred income	-	27
	-	1,195

The unsecured loan from the group undertaking is repayable on demand with no fixed repayment date. Interest is charged at 5.5% per annum (2005: 5.5%).

10. Provision for liabilities and charges

	Deferred Taxation £'000
At 1 April 2005	78
Transferred to a fellow subsidiary undertaking	(78)
At 31 March 2006	-

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 (2005: £Nil).

11. Called up share capital

	Authorised 2006 No.	2005 No.	Allotted and fully paid 2006 £	2005 £
Ordinary shares of £1.00 each	1,000	1,000	3	3

12. Reserves

	Called up Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2005	-	800	(257)	543
Retained profit for the year	-	-	75	75
At 31 March 2006	-	800	(182)	618

13. Cash flow statement exemption

The Company is a wholly owned subsidiary of Land Securities Group PLC which prepares a consolidated cash flow statement. The Company has therefore elected to make use of the exemption provided in Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements" not to produce its own cash flow statement.

14. Related party transactions

The Company is a wholly owned subsidiary of Land Securities Group PLC and has taken advantage of the exemption provided in paragraph 3(c) of Financial Reporting Standard 8 "Related Party Disclosures" not to make disclosure of transactions with other entities that are part of the group.

15. Parent company

The immediate parent company is Land Securities Portfolio Management 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.