

Registered Number 5193511

LAND SECURITIES CAPITAL MARKETS PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Strategic Report for the year ended 31 March 2014

The directors present their strategic report with audited financial statements of the Company for the year ended 31 March 2014.

RESULTS FOR THE YEAR

The results are set out in the Profit and Loss Account on page 5.

REVIEW OF THE BUSINESS

The Company has continued its business of acting as a funding vehicle for Land Securities Group PLC and its subsidiaries ("the Land Securities Group" or "the Group"). No changes in the Company's principal activity are anticipated in the foreseeable future.

The Company has £2.9bn (2013: £3.0bn) of secured medium-term notes in issue under the Multicurrency Programme for the issuance of notes. The notes are secured on a fixed and floating pool of assets held by group companies ("The Security Group") giving debt investors security over a pool of investment properties valued at £9.7bn at 31 March 2014 (2013: £9.3bn).

KEY PERFORMANCE INDICATORS

The directors assess the performance of the Company by reference to successfully raising external debt capital.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk facing the Company is that of credit risk whereby the intercompany loans issued to the Land Securities Group become irrecoverable. The solvency of the Land Securities Group is considered strong, therefore credit risk is deemed to be low.

FINANCIAL RISK MANAGEMENT

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.

The Company's principal financial assets are cash and inter-company loans; it therefore has negligible credit risk. The Company's notes are listed on the Irish Stock Exchange

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

The Company actively maintains a mixture of notes with final maturities between 2019 and 2036. Any short-term liquidity requirement is minimal and funding requirements can be covered by committed facilities held by other group companies.

The fair value of the Company's borrowings varies according to changes in the market cost of borrowing.

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.

Registered Office
5 Strand
London
WC2N 5AF



By order of the Board
M P Cadwaladr
Director
28 July 2014

Registered in England and Wales
Registered number: 5193511

Directors' Report for the year ended 31 March 2014

The directors present their report with audited financial statements of the Company for the year ended 31 March 2014.

PRINCIPAL ACTIVITY

The Company operates primarily as a funding vehicle for Land Securities Group PLC and its subsidiaries. It does this by issuing debt in the market and lending the proceeds to the Group's 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 final dividend for the year ended 31 March 2014 (2013: £Nil) in addition to the interim dividend of £8.00 per share creating a distribution of £400,000 (2013: £Nil) paid on 26 September 2013.

CORPORATE GOVERNANCE

The Company is a wholly owned subsidiary of Land Securities Group PLC ("Land Securities Group") which beneficially holds 100% of the ordinary share capital of the Company (refer Note 15). The Company's risk management framework is applied through the Land Securities Group's Risk Management Process, which covers the risk management and internal control system. Details of the Process can be found in the consolidated financial statements for 2014 available on the Group's website.

The Directors are responsible for implementing and monitoring the effectiveness of the Company's internal controls and risk management systems. Procedures have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records and for reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements, errors, losses or fraud. Further details are discussed in Principal Risks and Uncertainties in the Strategic Report and in notes to the financial statements. The Directors are responsible for appointment of an independent statutory auditor, regularly evaluating the independence of the appointed auditor and monitoring the statutory audit of the annual accounts. The internal procedures allow the Company to comply with their regulatory obligations.

POST BALANCE SHEET EVENTS

There have been no significant events after the balance sheet date.

DIRECTORS

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

D Rough	(resigned 18 July 2014)
M R Wood	
M F Greenslade	
C M Gill	
D Don-Wauchope	(resigned 6 December 2013)
M P Cadwaladr	(appointed 6 December 2013)

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.

AUDITOR

Following the resignation of PricewaterhouseCoopers LLP as auditor on 19 June 2013, Ernst & Young LLP were appointed as auditor to the company.

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.

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By order of the Board
M P Cadwaladr
Director
28 July 2014

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Directors' Responsibilities for the year ended 2014**Statement of directors' responsibilities**

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 accounting 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 Auditor's Report to the Members of Land Securities Capital Markets PLC for the year ended 31 March 2014
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We have audited the financial statements of Land Securities Capital Markets PLC for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Reconciliation of Movements in Total Shareholders' Funds, the Balance Sheet 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).

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 2014 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.

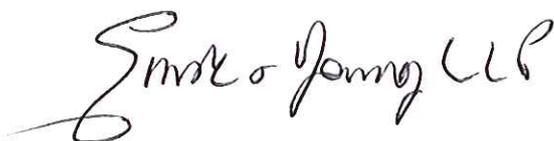
Opinion on other matter prescribed by the Companies Act 2006

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.



Eamonn McGrath (Senior Statutory Auditor)
 For and on behalf of Ernst and Young LLP
 Statutory Auditor
 London
 28 July 2014

Profit and Loss Account for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Interest receivable and similar income	3	157,795	159,986
Interest payable and similar charges	4	(157,416)	(159,698)
Profit on ordinary activities before taxation		379	288
Taxation	5	(87)	(69)
Profit for the financial year		292	219

Reconciliation of Movements in Total Shareholder's Funds for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		292	219
Dividends	6	(400)	-
(Accumulated loss) / retained profit for the financial year		(108)	219
(Reduction from) / addition to shareholders funds		(108)	219
Opening shareholder's funds		462	243
Closing shareholder's funds		354	462

All amounts arise from continuing 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 as at 31 March 2014

	Notes	2014 £'000	2013 £'000
Fixed asset investments			
Loan receivable	7	2,902,996	2,902,169
Current assets			
Loan receivable	7	-	122,699
Debtors	8	15,485	57,002
Cash at bank and in hand		1,171	1,076
		<u>16,656</u>	<u>180,777</u>
Creditors: amounts falling due within one year	9	(16,302)	(57,616)
Borrowings: amounts falling due within one year	10	-	(122,699)
		<u>354</u>	<u>462</u>
Net current assets			
		<u>354</u>	<u>462</u>
Total assets less current liabilities		2,903,350	2,902,631
Borrowings: amounts falling due after more than one year	10	(2,902,996)	(2,902,169)
		<u>354</u>	<u>462</u>
Net assets			
		<u>354</u>	<u>462</u>
Capital and reserves			
Called up share capital	11	50	50
Profit and loss account	12	304	412
		<u>354</u>	<u>462</u>
Total shareholder's funds			
		<u>354</u>	<u>462</u>

The financial statements on pages 5 to 10 were approved and authorised for issue by the board directors on 28 July 2014 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.

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) Interest income and interest expense

Interest income and interest expense 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.

(b) Taxation

Taxation is charged at the corporation tax rate of 23% (2013: 24%).

(c) Loan receivable

The loan receivable is recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the loan receivable 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, using the effective interest method.

(d) Cash

Cash comprises cash in hand and bank deposits that can be withdrawn immediately, or within twenty four hours, without penalty.

(e) 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 profit and loss account over the period of the borrowings, using the effective interest method.

(f) Segmental reporting

The Company's activities consist solely of providing funding to Land Securities Group PLC and its subsidiaries.

2. Management and administrative expenses

(a) Management services

The Company had no employees during the year (2013: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, which is a fellow subsidiary of Land Securities Capital Markets PLC.

(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 £Nil (2013: £Nil).

(c) Auditors' remuneration

The Group auditor's remuneration is borne by Land Securities Properties Limited. The proportion of the remuneration which relates to the Company amounts to £1,545 (2013: £1,471). The auditors received no remuneration for non-audit services provided to the Company during the year (2013: £Nil).

3. Interest receivable and similar income

	2014 £'000	2013 £'000
On amounts owed by group undertakings	<u>157,795</u>	<u>159,986</u>

4. Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable on external borrowings	<u>157,416</u>	<u>159,698</u>

5. Taxation

	2014 £'000	2013 £'000
Analysis of tax charge for the year		
Corporation tax on profit for the year	87	69
Total current tax	87	69
Tax charge on profit on ordinary activities	87	69
Factors affecting the tax charge for the year		
The current tax charge for the year equates to the standard rate of corporation tax in the UK of 23% (2013: 24%).		
Profit on ordinary activities before taxation	379	288
Profit on ordinary activities multiplied by the standard rate in the UK at 23% (2013: 24%)	87	69
Current tax charge for the year	87	69

Factors affecting future tax charges

The Finance Bill 2013 was substantively enacted on 2 July 2013 which reduces the main rate of UK corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015.

6. Dividends

	2014 £ per share	2013 £ per share	2014 £'000	2013 £'000
Ordinary - interim	8.00	-	400	-

7. Loan Receivable

	2014 £'000	2013 £'000
Amounts owed by LS Property Finance Company Limited:		
Amounts falling due within one year	-	122,699
Amounts falling due after more than one year	2,902,996	2,902,169
	2,902,996	3,024,868

The unsecured loan to the group undertaking is repayable when the note it relates to is repaid. Interest is charged at the interest rate on the related note plus 0.01%.

8. Debtors

	2014 £'000	2013 £'000
Corporation tax	70	133
Accrued income receivable from a group undertaking	15,415	56,869
	15,485	57,002

9. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amount owed to a group undertaking	887	748
Accruals	15,415	56,869
	16,302	57,616

10. Borrowings

	Nominal value £'000	Unamortised issue costs £'000	2014 Book value £'000	Nominal value £'000	Unamortised issue costs £'000	2013 Book value £'000
Short-term borrowings and overdrafts						
5.292 per cent Notes due 2015	-	-	-	122,726	(27)	122,699
	-	-	-	122,726	(27)	122,699
Non-current borrowings						
4.875 per cent Notes due 2019	400,000	(1,071)	398,929	400,000	(1,331)	398,669
5.425 per cent Notes due 2022	255,328	(509)	254,819	255,328	(579)	254,749
4.875 per cent Notes due 2025	300,000	(2,137)	297,863	300,000	(2,309)	297,691
5.391 per cent Notes due 2026	210,675	(682)	209,993	210,675	(732)	209,943
5.391 per cent Notes due 2027	608,586	(2,199)	606,387	608,638	(2,341)	606,297
5.376 per cent Notes due 2029	317,570	(1,390)	316,180	317,572	(1,458)	316,114
5.396 per cent Notes due 2032	322,667	(1,701)	320,966	322,670	(1,763)	320,907
5.125 per cent Notes due 2036	500,000	(2,141)	497,859	500,000	(2,201)	497,799
	2,914,825	(11,829)	2,902,996	2,914,883	(12,714)	2,902,169

The Company has the option to repay any of the Notes at par in the two years prior to the stated maturity date.

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

	2014 £'000	2013 £'000
Less than one year	-	122,726
More than one year but less than two years	-	-
More than two years but no more than five years	-	-
More than five years	2,914,825	2,914,883
	2,914,825	3,037,609

Medium term notes (MTN)

The notes are secured on a fixed and floating pool of assets held by group companies ('The Security Group') giving debt investors security over a pool of investment properties valued at £9.7bn at 31 March 2014 (2013: £9.3bn). The debt structure has a tiered covenant regime which gives substantial operational flexibility when loan to value and interest cover in The Security Group is less than 65% and more than 1.45 times, respectively. When these limits are exceeded, operational restrictions increase significantly and could act as an incentive to reduce gearing.

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. The Company's notes are listed on the Irish Stock Exchange.

Interest rate risk

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

Liquidity risk

The Company actively maintains a mixture of notes with final maturities between 2019 and 2036. Any short-term liquidity requirement is minimal and funding requirements can be covered by 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 2014 and 31 March 2013.

Fair Value

The fair value of the Company's borrowings varies according to the changes in the market cost of borrowing. The Company's notes are listed on the Irish Stock Exchange and their fair values are based on their respective market prices. The fair value of the Company's borrowings at 31 March 2014 was £3,322,307,924 (2013: £3,621,039,527) based on offer prices.

Sensitivity analysis

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

11. Called up share capital

	2014 Number	Issued 2013 Number	Allotted and fully paid 2014 £	2013 £
Ordinary shares of £1.00 Each	50,000	50,000	50,000	50,000

12. Reserves

	Called up Share Capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2013	50	412	462
Profit for the financial year	-	292	292
Dividends paid	-	(400)	(400)
At 31 March 2014	50	304	354

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 PLC.

The ultimate parent company and controlling party at 31 March 2014 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 2014 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.

