

Registered Number 05193511

LAND SECURITIES CAPITAL MARKETS PLC
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Strategic Report for the year ended 31 March 2019

The directors present their strategic report with audited financial statements of Land Securities Capital Markets Plc (the 'Company') for the year ended 31 March 2019.

RESULTS FOR THE YEAR

The results are set out in the Statement of Comprehensive Income on page 7.

REVIEW OF THE BUSINESS

The Company has **£4.5bn** (2018: £4.5bn) of secured medium-term notes (MTNs) in issue under the Multicurrency Programme for the issuance of notes. The MTNs 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 **£13.2bn** at 31 March 2019 (2018: £13.7bn).

During the year, Land Securities Group PLC and its subsidiaries ('Land Securities Group' or the 'Group') purchased **£8.4m** of its MTNs for a premium of **£2.1m**. The Group repurchased **£7.9m** of its A6 MTN due in 2029 and **£0.5m** of its A7 MTN due in 2032.

The Company reclassified **£7.7m** of its MTNs as non-current amounts due to Group undertakings as a result of the repurchases. The remaining **£0.7m** of MTNs repurchased were fully cancelled. Further details are set out in note 10 to the financial statements.

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 and 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, loans due from Group undertakings and trade and other receivables and are deemed to have low credit risk.

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 2022 and 2059. 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
100 Victoria Street
London
SW1E 5JL



By order of the Board
E Miles
Company Secretary
7 June 2019

Registered and domiciled in England and Wales
Registered number: 05193511

Directors' Report for the year ended 31 March 2019

The directors present their report with audited financial statements of the Company for the year ended 31 March 2019.

PRINCIPAL ACTIVITY AND FUTURE BUSINESS DEVELOPMENTS

The Company operates primarily as a funding vehicle for the Land Securities Group. 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 dividend for the year ended 31 March 2019 (2018: £Nil).

CORPORATE GOVERNANCE

The Company is a wholly owned subsidiary of Land Securities Group PLC which beneficially holds 100% of the ordinary share capital of the Company (refer note 11). 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 the year ended 31 March 2019, 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.

GOING CONCERN

The directors believe that preparing the accounts on the going concern basis is appropriate due to a net current asset and net asset position as at 31 March 2019 and projected positive future cash flows for at least one year after these financial statements are signed.

DIRECTORS

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

M R Wood
M F Greenslade
M P Cadwaladr
M R Worthington
T J Ashby
R C Futter (appointed 25 January 2019)
D J Heaford (appointed 30 July 2018)
D Don-Wauchope (appointed 30 July 2018, resigned 25 January 2019)

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.

FINANCIAL RISK MANAGEMENT

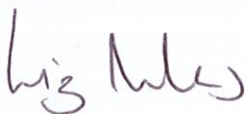
The financial risk management objective and policies are disclosed in the Strategic Report and in note 12.

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
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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
E Miles
Company Secretary
7 June 2019

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Directors' Responsibilities for the year ended 31 March 2019**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report, the Strategic 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 elected to prepare the financial statements in accordance with United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice). 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 United Kingdom Accounting Standards, including FRS 101 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 2019

Opinion

We have audited the financial statements of Land Securities Capital Markets Plc for the year ended 31 March 2019 which comprise of the Statement of Comprehensive Income, the Balance Sheet, the statement of changes in equity and the related notes 1 to 15 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• The recoverability of the loans due from group undertakings.
Materiality	• Overall materiality of £22.9m which represents 0.5% of the total assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p>Impairment of loans due from group undertakings.</p> <p>2019: £nil impairment recognised on a total balance of £4.5bn. (2018: £nil impairment recognised on a total balance of £4.5bn).</p> <p>The ability of the company to successfully raise capital may be influenced by the recoverability of loans advanced to fellow group undertakings. This may place pressure on management to distort the assessment of impairment.</p>	<p>Our audit procedures around the recoverability of loans due from group undertakings include:</p> <p>We evaluated default risk by assessing the loan covenant compliance of the security group and the financial viability of the borrower company with reference to its net assets and the intercompany agreements it has with the rest of the Land Securities Group which support the borrower's ability to repay its debt.</p> <p>We also compared the balance against the valuation of the properties within the security group of companies which are ultimately accessible to repay the loans.</p>	<p>Based upon the audit procedures performed, we concluded that there were no impairment of loans due from group undertakings.</p>

Compared to the prior year, there have been no changes to our assessment of the risks of material misstatement.

Independent Auditor's Report to the Members of Land Securities Capital Markets PLC for the year ended 31 March 2019 (continued)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £22.9 million (2018: £22.9 million), which is 0.5% (2018: 0.5%) of total assets. We believe that total assets provide us with the most appropriate basis for determining overall materiality given that the key users of the Company's financial statements are primarily focused on the recoverability of assets to support loan repayment, specifically the loans due from group undertakings which comprise around 99% of the Company's total assets (2018: 99%).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £17.1m (2018: £17.1m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected. Our objective in adopting this approach is to confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with management that we would report to them all uncorrected audit differences in excess of £1.1m (2018: £1.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent Auditor's Report to the Members of Land Securities Capital Markets PLC for the year ended 31 March 2019 (continued)

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101, the Companies Act 2006, UK Corporate Governance Code and the Irish Stock Exchange listing rules).
- We understood how the Company is complying with those frameworks through enquiry with management, and by identifying the Company's policies and procedures regarding compliance with laws and regulations. We also identified those members of management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance.
- As part of the audit of the Land Securities group, we assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by reviewing the Companies risk register, enquiry with management and the Audit Committee of the group during the planning and execution phases of the group audit. We relied on those procedures performed during the group audit and followed up with enquiries of management on any new developments during the statutory audit of the company.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved;
 - Inquiry of members of senior management, and when appropriate, those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements.
 - Reading minutes of meetings of those charged with governance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company on 18 July 2013 to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering all year ends between 31 March 2014 and 31 March 2019. Our audit engagement letter was refreshed on 23 January 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.

Use of our report

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.

Ernst + Young LLP

Kathryn Barrow (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

7 June 2019

Statement of Comprehensive Income for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Interest income	5	185,482	163,675
Interest expense	5	<u>(185,188)</u>	<u>(163,243)</u>
Profit before tax		294	432
Taxation	6	<u>(56)</u>	<u>(82)</u>
Profit and total comprehensive income for the financial year		<u>238</u>	<u>350</u>

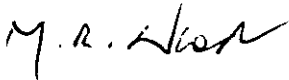
There were no recognised gains or losses for 2019 or 2018 other than those included in the Statement of Comprehensive Income.

All amounts derive from continuing activities.

Balance Sheet as at 31 March 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Loans due from Group undertakings	7	<u>4,539,241</u>	<u>4,537,879</u>
		4,539,241	4,537,879
Current assets			
Trade and other receivables	8	<u>42,435</u>	<u>42,686</u>
Cash at bank and in hand		<u>1,312</u>	<u>799</u>
		43,747	43,485
Total assets		<u>4,582,988</u>	<u>4,581,364</u>
Current liabilities			
Trade and other payables	9	<u>(42,878)</u>	<u>(42,854)</u>
		(42,878)	(42,854)
Non-current liabilities			
Borrowings	10	<u>(2,591,320)</u>	<u>(2,598,581)</u>
Loans due to Group undertakings	10	<u>(1,947,921)</u>	<u>(1,939,298)</u>
		(4,539,241)	(4,537,879)
Total liabilities		<u>(4,582,119)</u>	<u>(4,580,733)</u>
Net Assets		<u>869</u>	<u>631</u>
Equity			
Capital and reserves			
Share capital	11	<u>50</u>	<u>50</u>
Retained earnings		<u>819</u>	<u>581</u>
Total Equity		<u>869</u>	<u>631</u>

The financial statements on pages 7 to 15 were approved by the Board of Directors on 7 June 2019 and were signed on its behalf by:



M R Wood
Director

Statement of changes in equity

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 April 2017	50	231	281
Total comprehensive income for the financial year	-	350	350
At 31 March 2018	50	581	631
Total comprehensive income for the financial year	-	238	238
At 31 March 2019	50	819	869

1. Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with applicable law and United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The financial statements are prepared under the historical cost convention.

Land Securities Capital Markets Plc, (the 'Company') is a public company limited by shares, incorporated, domiciled and registered in England and Wales (Registered number: 05193511). The nature of the Company's operations is set out in the Strategic Report on page 1. The results of the Company are included in the consolidated financial statements of Land Securities Group PLC and its subsidiaries (the 'Group') which are available from the Company's registered office at 100 Victoria Street, London, SW1E 5JL.

The financial statements are prepared in Pounds Sterling and are rounded to the nearest thousand pounds (£'000).

The Company has taken advantage of the following disclosure exemptions under FRS 101 for financial institutions:

- (a) the requirements of IAS 7 'Statement of Cash Flows';
- (b) the requirements of paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- (c) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The directors believe that preparing the accounts on the going concern basis is appropriate due to a net current asset and net asset position as at 31 March 2019 and projected positive future cash flows for at least one year after these financial statements are signed.

2. Significant accounting policies

The accounting policies which follow set out those which apply in preparing the financial statements for the year ended 31 March 2019.

The Company has adopted IFRS 9 Financial Instruments on 1 April 2018. While some accounting policies have been amended on adoption of the standard, there have been no adjustments to the Company's Statement of Comprehensive Income or Balance Sheet. The new accounting policies are set out in note (c) below.

The Company has adopted IFRS 15 Revenue from Contracts with Customers on 1 April 2018. The Company has elected to apply the standard on a full retrospective basis as permitted by IFRS 15. The Company only had interest income during the year, and this is out of scope. As a result, there have been no adjustments to the Company's Statement of Comprehensive Income or Balance Sheet.

Except for the adoptions of new standards described above, the accounting policies and methods of computation used remain unchanged from the previous year and no other new or amended accounting standards effective during the year have had an effect on the Company

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(b) 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 Statement of Comprehensive Income account over the period of the borrowings, using the effective interest method.

(c) Intercompany loans

Loans owed to Group undertakings

Loans owed to Group undertakings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans owed to Group undertakings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Statement of Comprehensive Income over the period of the loan, using the effective interest method.

Loans due from Group undertakings

Loans due from Group undertakings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans due from Group undertakings are stated at amortised cost and, where relevant, adjusted for the time value of money. The Company assesses on a forward-looking basis, the expected credit losses associated with its loans due from Group undertakings. The Company applies the general impairment approach, either a 12-month expected credit loss or lifetime expected credit loss depending on the existence of indicators of significant deterioration in credit risk for all loans due from Group undertakings. If collection is expected in more than one year, the balance is presented within non-current assets.

(d) Interest receivable and interest payable

Interest payable is 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.

Intercompany interest receivable and interest payable are recognised on an accruals basis on the corresponding intercompany loan by applying the effective interest rate which takes account of the amortisation of finance income or finance costs over the term of the loans to which they relate.

2. Significant accounting policies (continued)

(e) Income taxation

Income tax on the profit or loss for the year comprises current tax. Current tax is the tax payable on the taxable income for the year based on tax rates and laws that are enacted or substantively enacted by the balance sheet date and any adjustment in respect of previous years.

(f) Dividend distribution

Final dividend distributions to the Company's shareholder are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholder. Interim dividends are recognised when paid.

3. Critical accounting judgements and key estimation uncertainty

The Company's significant accounting policies are stated in note 2 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

Key estimation uncertainty

Loans due from Group undertakings

The Company is required to periodically assess and estimate impairment of loans due from Group undertakings. It does this by assessing on a forward-looking basis, the expected credit losses associated with its loans due from Group undertakings. The Company applies the general impairment approach, either a 12-month expected credit loss or lifetime expected credit loss depending on the existence of indicators of significant deterioration in credit risk for all loans due from Group undertakings. In determining the expected credit losses, the Company takes into account the deterioration of the counter-party's credit risk and any future expectations of likely default events based on the level of capitalisation of the counterparty, which is a fellow subsidiary undertaking of Land Securities Group PLC.

4. Management and administrative expenses

(a) Management services

The Company had no employees during the year (2018: None).

(b) Directors' emoluments

The Group's directors' emoluments are borne by fellow Group subsidiary, Land Securities Properties Limited. The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company (2018: £Nil).

(c) Auditor's remuneration

The proportion of the Group auditor's remuneration which relates to the audit of the Company's financial statements amounts to **£1,700** (2018: £1,700), which is borne by Land Securities Properties Limited. There were no non-audit services provided during the year (2018: None).

5. Net interest income

	2019 £'000	2018 £'000
Interest expense		
Bond and debenture debt	(82,582)	(111,007)
Interest payable on loans due to Group undertakings	(102,606)	(52,236)
	<u>(185,188)</u>	<u>(163,243)</u>
Interest income		
Interest receivable on loans due from Group undertakings	185,482	163,675
	<u>185,482</u>	<u>163,675</u>
Net interest income	<u>294</u>	<u>432</u>

6. Income tax

	2019 £'000	2018 £'000
Current tax		
Income tax on profit for the year	56	82
Total income tax charge in the Statement of Comprehensive Income	<u>56</u>	<u>82</u>
Total tax charge	<u>56</u>	<u>82</u>
Factors affecting the tax charge for the year		
The current income tax charge for the year equates to (2018: equates to) the standard rate of corporation tax in the UK of 19% (2018: 19%).		
Profit before tax	294	432
Profit before tax multiplied by the rate of corporation tax in the UK of 19% (2018: 19%)	<u>56</u>	<u>82</u>
Total income tax charge in the Statement of Comprehensive Income (as above)	<u>56</u>	<u>82</u>

On 6 September 2016, a reduction in the corporation tax rate was substantively enacted, reducing the tax rate from 19% to 17% effective 1 April 2020.

7. Loans due from Group undertakings

	2019 £'000	2018 £'000
Loans due from Group undertakings – fellow subsidiary	4,539,241	4,537,879
Total loans due from Group undertakings	<u>4,539,241</u>	<u>4,537,879</u>

The unsecured loans due from group undertakings is repayable when the note it relates to is repaid. The terms and conditions of loans due from Group undertakings are the same as the non-current loans due to Group undertakings and medium-term notes with the exception of a slight difference in terms of interest that are considered to be insignificant (i.e. an additional 0.01%).

Therefore, it is considered that the fair value of loans due from Group undertakings, £5,194.1m (2018: £5,207.0m), is the same as the fair value of non-current loans and medium-term notes (note 10).

8. Trade and other receivables

	2019 £'000	2018 £'000
Accrued interest on intercompany loans	42,406	42,686
Current tax assets	29	-
Total current trade and other receivables	<u>42,435</u>	<u>42,686</u>

The unsecured loans due from group undertakings is repayable when the note it relates to is repaid. Interest is charged at the interest rate on the related note plus 0.01%.

9. Trade and other payables

	2019 £'000	2018 £'000
Accrued interest on non-current loans due to Group undertakings – fellow subsidiary	29,283	16,962
Accrued interest on non-current borrowings	13,123	25,724
Amounts due to Group undertakings – fellow subsidiary	472	114
Current tax liabilities	-	54
Total current trade and other payables	<u>42,878</u>	<u>42,854</u>

The amounts due to Group undertakings are interest free, repayable on demand with no fixed repayment date.

10. Borrowings

			2019		2018		
	Effective interest rate %	Nominal/ notional value £'000	Fair value £'000	Book value £'000	Nominal/ notional value £'000	Fair value £'000	Book value £'000
Non-current borrowings							
A3	5.425% MTN due 2022	46,498	48,311	46,479	46,498	50,080	46,462
A10	4.875% MTN due 2025	13,500	15,437	13,440	13,500	15,547	13,429
A12	1.974% MTN due 2026	400,000	405,412	399,153	400,000	401,440	398,988
A4	5.391% MTN due 2026	25,393	29,781	25,347	25,393	30,178	25,339
A5	5.391% MTN due 2027	186,331	224,085	185,915	186,332	229,339	185,859
A6	5.376% MTN due 2029	76,461	97,314	76,224	84,400	107,212	84,114
A16	2.375% MTN due 2029	350,000	361,932	346,880	350,000	351,649	346,532
A13	2.399% MTN due 2031	300,000	309,969	299,116	300,000	300,498	299,038
A7	5.396% MTN due 2032	155,796	208,730	155,149	156,254	209,975	155,567
A11	5.125% MTN due 2036	56,391	75,808	55,554	56,391	77,577	55,545
A14	2.625% MTN due 2039	500,000	507,980	493,208	500,000	498,355	492,926
A15	2.750% MTN due 2059	500,000	515,065	494,855	500,000	511,560	494,782
Total borrowings		2,610,370	2,799,824	2,591,320	2,618,768	2,783,410	2,598,581
Non-current loans due to Group undertakings – fellow subsidiary							
A3	5.425% MTN due 2022	208,830	216,972	208,752	208,830	224,916	208,596
A10	4.875% MTN due 2025	286,500	327,607	285,390	286,500	329,942	285,003
A4	5.391% MTN due 2026	185,282	217,302	184,945	185,282	220,198	184,874
A5	5.391% MTN due 2027	421,893	507,377	420,949	421,893	519,270	420,872
A6	5.376% MTN due 2029	240,796	306,468	240,044	233,108	296,115	232,281
A7	5.396% MTN due 2032	165,845	222,194	165,151	165,845	222,864	165,113
A11	5.125% MTN due 2036	443,609	596,357	442,690	443,609	610,269	442,559
Total non-current loans due to Group undertakings		1,952,755	2,394,277	1,947,921	1,945,067	2,423,574	1,939,298

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:

	2019 £'000	2018 £'000
Within one year	438,213	182,979
One to five years	1,577,894	945,726
Over five years	4,549,985	5,622,031
	6,566,092	6,750,736

Medium-term notes (MTNs)

The MTNs are secured on the fixed and floating pool of assets held by Group companies (the 'Security Group'). Debt investors benefit from security over a pool of investment properties, development properties and the Group's investment in the X-Leisure Fund, Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership, in total valued at **£13.2bn** at 31 March 2019 (31 March 2018: **£13.7bn**). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. The interest rate of each MTN is fixed until the expected maturity, being two years before the legal maturity date for each MTN, whereupon the interest rate for the last two years may either become floating on a LIBOR basis plus an increased margin (relative to that at the time of issue), or subject to a fixed coupon uplift, depending on the terms and conditions of the specific notes. The effective interest rate is based on the coupon paid and includes the amortisation of issue costs. The MTNs are listed on the Irish Stock Exchange and their fair values are based on their respective market prices. Management monitors the key covenants attached to the Security Group on a monthly basis. These covenants have been met during the financial year and up to the date of approval of the financial statements.

During the period, the Group purchased **£8.4m** (2018: **£1,256.0m**) of its MTNs for a premium of **£2.1m** (2018: **£385.0m**). The Group repurchased **£7.9m** of its A6 MTN due in 2029 and **£0.5m** of its A7 MTN due in 2032.

The Company reclassified **£7.7m** of its MTNs as non-current loans due to Group undertakings as a result of the repurchases. These were reclassified at their outstanding carrying amounts and these MTNs are now held by a fellow subsidiary within the Group. The remaining **£0.7m** of MTNs repurchased were fully cancelled.

In conjunction with the tender exercises in prior year, in September 2017, the Company issued a **£500.0m** 2.625% MTN due 2039 and a **£500.0m** 2.750% MTN due 2059 and, in March 2018, the Company issued a **£350m** 2.375% MTN due 2029. Issue costs associated with the issuances amounted to **£15.8m**. No new issuance of MTNs occurred during the current year.

Valuation hierarchy

The fair value of the MTNs is based on values using unadjusted quoted prices in active markets and therefore falls within level 1 of the valuation hierarchy, as defined by IFRS 13. For all other financial instruments, the carrying value in the balance sheet approximate their fair values.

11. Ordinary share capital

	Authorised and issued		Allotted and fully paid	
	2019	2018	2019	2018
	Number	Number	£'000	£'000
Ordinary shares of £1.00 each	50,000	50,000	50	50

12. Capital and financial risk management

Capital management

The Company considers its capital to constitute Shareholder's capital and non-current loans and borrowings. The primary objective of the Company's capital management is to ensure that Company's commitments in relation to its loans and borrowings are met on a timely basis. For this purpose, the Company has entered into an agreement with another related party to ensure sufficient funds are available to meet the external obligations when these arise.

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, loans due from Group undertakings and trade and other receivables. The solvency of the Land Securities Group is considered strong and therefore credit risk is deemed to be low.

Interest rate risk

The Company has negligible interest rate risk as all MTNs have fixed interest. Specific interest rate-hedges are also used by the Company from time to time to fix the interest rate exposure on the Group's debt.

Liquidity risk

The Company actively maintains a mixture of MTNs with final maturities between 2022 and 2059. Any short-term liquidity requirement is minimal and funding requirements can be covered by committed facilities held by other Group companies. The Company's MTNs are listed on the Irish Stock Exchange.

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 2019 and 31 March 2018.

Sensitivity analysis

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

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 FRS 101 not to make disclosure of transactions with other wholly owned subsidiaries.

The Company did not have any transactions with Key Management Personnel during the year ended 31 March 2019 (2018: £Nil).

14. Changes in accounting policies

IFRS 9 Financial instruments

The Company has adopted IFRS 9 with effect from 1 April 2018. The Group applied IFRS 9 retrospectively and did not elect to restate the comparative information. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. While some accounting policies have been amended on adoption of the standard, there have been no adjustments required to the Company's Statement of Comprehensive Income or Balance Sheet.

On 1 April 2018 (the date of initial application of IFRS 9), the Company has assessed whether it intends to hold its financial assets to collect the contractual cash flows, or whether it intends to sell them before maturity and has classified its financial instruments into the appropriate IFRS 9 categories. There is no net impact on the Statement of Comprehensive Income or Balance Sheet as a result of these changes.

Financial asset	Classification – IAS 39	Classification – IFRS 9	Measurement
Trade and other receivables			
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	Amortised cost
Loans due from Group undertakings	Loans and receivables	Financial assets at amortised cost	Amortised cost
Cash and cash equivalents	Amortised cost	Financial assets at amortised cost	Amortised cost

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. IFRS 9 requires the Company to recognise an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss and for contract assets. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The Company applies the general approach, either a 12-month expected credit loss or lifetime expected credit loss depending on the existence of indicators of significant deterioration in credit risk for all loans due from Group undertakings. There has been no adjustment to the loss allowance on 1 April 2018 as the impact of adopting the revised accounting policy is not material.

15. Parent Company

The immediate parent company is Land Securities Plc.

The ultimate parent company and controlling party at 31 March 2019 was Land Securities Group PLC, which is registered in England and Wales. This is the largest and smallest parent company of the Group to consolidate these financial statements.

Consolidated financial statements for the year ended 31 March 2019 for Land Securities Group PLC can be obtained from the Company Secretary, at the registered office address of the ultimate parent company, 100 Victoria Street, London, SW1E 5JL. This is the largest and smallest group to include these accounts in its consolidated financial statements.