

Registered Number 05193511

LAND SECURITIES CAPITAL MARKETS PLC

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

Interim Management Report for the six months ended 30 September 2023

The directors present their Interim Management Report together with the unaudited Interim Financial Statements of Land Securities Capital Markets PLC ('The Company') for the six months ended 30 September 2023.

RESULTS FOR THE PERIOD

The unaudited results are set out in the unaudited Statement of Comprehensive Income on page 4.

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 'Landsec Group' or the 'Group'). No changes in the Company's principal activity are anticipated in the foreseeable future.

The Company has **£4.4bn** (31 March 2023: £4.7bn) 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 **£9.3bn** at 30 September 2023 (31 March 2023: £9.4bn, restated).

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 for the remaining six months of the financial year 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 2026 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.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six-month period ended 30 September 2023 (six months ended 30 September 2022: £nil).

CORPORATE GOVERNANCE

The Company's ultimate parent company is Land Securities Group PLC which indirectly holds 100% of the ordinary share capital of the Company (refer note 14). 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 of Land Securities Group PLC for the year ended 31 March 2023, 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 this Report. 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.

Interim Management Report for the six months ended 30 September 2023 (continued)

DIRECTORS

The directors of Land Securities Capital Markets PLC who held office during the period and up to the date of this report, unless otherwise stated, were:

M R Worthington
C Mairs
L L Sellars
V K Simms
E A Gillbe (appointed 6 May 2023)
D J Holder (appointed 5 September 2023)

INDEMNITY

The Company has made qualifying third-party indemnity provisions for the benefit of the respective directors which were in place throughout the period and which remain in place at the date of this report.


STATEMENT OF RESPONSIBILITY

The board of directors comprising M R Worthington, C Mairs, L L Sellars, V K Simms, E A Gillbe and D J Holder confirm to the best of their knowledge that the condensed interim financial statements, which have been prepared in accordance with FRS 104 'Interim Financial Reporting', give a true and fair view of the assets, liabilities, financial position and profit or loss of the Land Securities Capital Markets PLC and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules (DTR), namely:

- DTR 4.2.7 (R): an indication of important events that have occurred during the six-month period ended 30 September 2023 and their impact on the condensed interim financial statements; and
- a description of the principal risks and uncertainties for the remaining six months of the financial year.

Registered Office
100 Victoria Street
London
SW1E 5JL

By order of the Board

DocuSigned by:

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M Worthington
Director
24th November 2023

Registered and domiciled in England and Wales
Registered number: 05193511

Unaudited Statement of Comprehensive Income for the six months ended 30 September 2023

		Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000
	Notes		
Interest income	5	95,873	85,307
Interest expense	5	(95,762)	(85,092)
Profit before tax		111	215
Taxation	6	(28)	(41)
Profit and total comprehensive income for the financial period		83	174

There were no recognised gains or losses for the six months to 30 September 2023 or the six months to 30 September 2022 other than those included in the Statement of Comprehensive Income.

All amounts are derived from continuing activities.

Unaudited Balance Sheet as at 30 September 2023
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		30 September 2023 £'000	31 March 2023 £'000
	Notes		
Non-current assets			
Loans due from Group undertakings	7	<u>4,384,287</u>	4,683,464
		4,384,287	4,683,464
Current assets			
Trade and other receivables	8	37,500	12,593
Cash and cash equivalents		<u>1,157</u>	<u>1,209</u>
		38,657	13,802
Total assets		<u>4,422,944</u>	<u>4,697,266</u>
Current liabilities			
Trade and other payables	9	<u>(36,386)</u>	(12,546)
		(36,386)	(12,546)
Non-current liabilities			
Borrowings	10	(2,727,754)	(2,736,733)
Loans due to Group undertakings	10	<u>(1,657,475)</u>	<u>(1,946,741)</u>
		(4,385,229)	(4,683,474)
Total liabilities		<u>(4,421,615)</u>	<u>(4,696,020)</u>
Net Assets		<u>1,329</u>	<u>1,246</u>
Equity			
Capital and reserves			
Share capital	11	50	50
Retained earnings		<u>1,279</u>	<u>1,196</u>
Total Equity		<u>1,329</u>	<u>1,246</u>

The financial statements on pages 4 to 11 were approved by the board of directors on 24th November 2023 and were signed on its behalf by:

DocuSigned by:

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 M Worthington
 Director

Unaudited Statement of Changes in Equity for the six months ended 30 September 2023
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	Share capital £'000	Retained earnings £'000	Total £'000
At 1 April 2022	50	1,098	1,148
Total comprehensive income for the six months ended 30 September 2022	-	174	174
At 30 September 2022	50	1,272	1,322
Total comprehensive income for the six months ended 31 March 2023	-	(76)	97
At 31 March 2023	50	1,196	1,246
Total comprehensive income for the six months ended 30 September 2023	-	83	83
At 30 September 2023	50	1,279	1,329

1. Basis of preparation

This condensed interim financial information for the six months ended 30 September 2023 has been prepared on a going concern basis and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and FRS 104 'Interim Financial Reporting'. 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 Interim Management 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 condensed financial information is prepared in Pound Sterling (£) and is rounded to the nearest thousand pounds (£'000).

The condensed interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2023, presented in accordance with FRS 101, were approved by the board of directors on 20 July 2023 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The condensed interim financial information has not been reviewed or audited.

2. Significant accounting policies

The condensed interim financial information has been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in the notes to the Company's annual financial statements for the year ended 31 March 2023 as set out below.

(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.

In determining the expected credit losses, the Company takes into account 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.

(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.

(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.

(g) Share capital

Ordinary shares are classified as equity.

3. Significant accounting judgements and estimates

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 significant because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements. These estimates involve assumptions or judgements in respect of future events. Actual results may differ from these estimates.

Estimates

Loans due from Group undertakings

The Company is required to judge when there is sufficient objective evidence to require the impairment of amounts due from Group undertakings. It does this by assessing on a forward-looking basis, the expected credit losses associated with its amounts due from Group undertakings. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the amounts due. In determining the expected credit losses, the Company takes into account 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. As a result, the value of any provision for impairment is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate.

4. Management and administrative expenses

(a) Management services

The Company had no employees during the period (six months ended 30 September 2022: None). Management services were provided to the Company throughout the period by Land Securities Properties Limited, which is a fellow subsidiary of Land Securities Capital Markets PLC.

(b) Directors' emoluments

The Group's directors' emoluments are borne by fellow Group subsidiary, Land Securities Properties Limited. The directors of the Company, who are key management personnel of the Company, received no emoluments from Land Securities Properties Limited for their services to the Company (six months ended 30 September 2022: £Nil).

5. Net interest income

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000
Interest expense		
Bond and debenture debt	(44,488)	(33,847)
Interest payable on loans due to Group undertakings	(51,274)	(51,245)
Total interest expense	(95,762)	(85,092)
Interest income		
Interest receivable on loans due from Group undertakings	95,873	85,307
Total interest income	95,873	85,307
Net interest income	111	215

6. Income tax

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000
Corporation tax		
Income tax on profit for the year	28	41
Total income tax charge in the Statement of Comprehensive Income	28	41

Factors affecting the tax charge for the year

The current income tax charge for the year is the same as (2022: the same as) the standard rate of corporation tax in the UK of **25%** (2022: 19%). As set out below:

Profit before tax	111	215
Profit before tax multiplied by the rate of corporation tax in the UK of 25% (2022: 19%)	28	41
Effects of:		
Expenses not deductible for tax purposes	-	-
Total income tax charge in the Statement of Comprehensive Income (as above)	28	41

7. Loans due from Group undertakings

	30 September 2023 £'000	31 March 2023 £'000
Loans due from Group undertakings	4,384,287	4,683,464
Total loans due from Group undertakings	4,384,287	4,683,464

In addition, the Company has a right to demand immediate repayment of the unsecured loans due from Group undertakings however, the Company expects the loans to be 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, **£3,863m** (31 March 2023: £4,335.5m), is the same as the fair value of non-current loans and medium-term notes (note 10).

8. Trade and other receivables

	30 September 2023 £'000	31 March 2023 £'000
Accrued interest on intercompany loans - fellow subsidiary	36,351	11,996
Amounts due from Group undertakings - fellow subsidiary	894	597
Social security and other taxes	255	-
Total trade and other receivables	37,500	12,593

The unsecured loans due from Group undertakings are repayable when the note it relates to is repaid. Interest is charged at the interest rate on the related note plus 0.01%. The amounts due from Group undertakings are interest-free, repayable on demand with no fixed repayment date.

9. Trade and other payables

	30 September 2023 £'000	31 March 2023 £'000
Accrued interest on non-current loans due to Group undertakings – fellow subsidiary	27,482	7,132
Accrued interest on non-current borrowings	8,904	4,864
Social security and other taxes	-	550
Total current trade and other payables	36,386	12,546

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

10. Borrowings

		30 September 2023			31 March 2023		
	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							
A10	4.875% MTN due 2025	5.0	-	-	9,862	9,857	9,847
A12	1.974% MTN due 2026	2.0	400,000	394,312	399,939	400,000	389,144
A4	5.391% MTN due 2026	5.4	17,046	16,999	17,043	17,046	17,108
A5	5.391% MTN due 2027	5.4	86,572	85,671	86,517	86,572	86,698
A16	2.375% MTN due 2027	2.5	350,000	313,128	348,609	350,000	317,065
A6	5.376% MTN due 2029	5.4	65,162	63,846	65,055	65,162	65,991
A13	2.399% MTN due 2031	2.4	300,000	257,196	299,492	300,000	263,052
A17	4.875% MTN due 2034	5.0	400,000	380,836	394,950	400,000	406,376
A7	5.396% MTN due 2032	5.4	77,367	75,313	77,150	77,389	79,349
A11	5.125% MTN due 2036	5.1	50,014	46,309	49,226	50,014	49,878
A14	2.625% MTN due 2039	2.6	500,000	349,620	494,561	500,000	377,845
A15	2.750% MTN due 2059	2.7	500,000	269,235	495,212	500,000	312,155
Total borrowings		2,746,161	2,252,465	2,727,754	2,756,045	2,374,518	2,736,733
Non-current loans due to Group undertakings – fellow subsidiary							
A10	4.875% MTN due 2025	5.0	-	-	290,138	290,002	289,266
A4	5.391% MTN due 2026	5.4	193,629	193,095	193,341	193,629	194,338
A5	5.391% MTN due 2027	5.4	521,351	515,924	520,356	521,351	522,107
A6	5.376% MTN due 2029	5.4	252,064	246,975	251,354	252,064	255,270
A7	5.396% MTN due 2032	5.4	244,238	237,756	243,286	244,238	250,495
A11	5.125% MTN due 2036	5.1	449,986	416,651	449,138	449,986	448,767
Total non-current loans due to Group undertakings		1,661,268	1,610,401	1,657,475	1,951,406	1,960,979	1,946,741

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

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 Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership, in total valued at **£9.3bn** at 30 September 2023 (31 March 2023: £9.4bn, restated). 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. The interest rate for the last two years may either become floating on a SONIA 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, Land Securities Group PLC and its subsidiaries did not purchase any MTNs (31 March 2023: £nil).

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	
	30 September 2023	31 March 2023	30 September 2023	31 March 2023
	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 Landsec 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 the MTNs have fixed interest and these are matched by the interest receivable on the intercompany loans.

Liquidity risk

The Company actively maintains a mixture of MTNs with final maturities between 2026 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 30 September 2023 and 31 March 2023.

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

The Company did not have any transactions with Key Management Personnel during the six months ended 30 September 2023 (six months ended 30 September 2022: £Nil).

14. Parent company

The immediate parent company is Land Securities PLC.

The ultimate parent company and controlling party at 30 September 2023 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 six months ended 30 September 2023 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, and from the Group website at www.landsec.com. This is the largest and smallest group to include these accounts in its consolidated financial statements.