

Registered Number 05193511

LAND SECURITIES CAPITAL MARKETS PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Strategic Report for the year ended 31 March 2018

The directors present their strategic report with audited financial statements of the Company for the year ended 31 March 2018.

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** (2017: £3.2bn) 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 **£13.7bn** at 31 March 2018 (2017: £12.9bn).

During the year, the Land Securities Group PLC and its subsidiaries ('Land Securities Group' or the 'Group') purchased **£1,256.0m** of its medium-term notes (MTNs) for a premium of **£385.0m**. On 22 September 2017, the Group conducted a tender exercise which resulted in it buying back **£502.3m** of MTNs in two series for a premium of **£171.2m**. On 29 March 2018, the Group conducted a tender exercise which resulted in it buying back **£606.0m** of MTNs in three series for a premium of **£164.5m**. In addition, in December 2017 following enquiries by bondholders the Group purchased **£147.7m** of MTNs in six series for a premium of **£49.3m**.

The Company reclassified **£1,256.0m** of its MTNs as non-current amounts due to Group undertakings as a result of the repurchases. Further details are set out in note 11 to the financial statements.

In conjunction with the September 2017 tender exercises, the Company issued a **£500m** 2.625% MTN with a final maturity of 2039 and a **£500m** 2.750% MTN with a final maturity of 2059 and, in March 2018, the Company issued a **£350m** 2.375% MTN due 2029. Issue costs and discounts associated with the issuances amounted to **£15.8m**.

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 negligible.

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 intercompany loans and are deemed to have negligible 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
23 July 2018

Registered and domiciled in England and Wales
Registered number: 05193511

Directors' Report for the year ended 31 March 2018

The directors present their report with audited financial statements of the Company for the year ended 31 March 2018.

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 2018 (2017: £450k).

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 12). 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 2018, 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 2018 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

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 management risk objective and policies are disclosed in the Strategic Report and in note 13.

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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E Miles
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Directors' Responsibilities for the year ended 31 March 2018

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 2018

Opinion

We have audited the financial statements of Land Securities Capital Markets Plc (the 'Company') for the year ended 31 March 2018 which comprise 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 state of the company's affairs as at 31 March 2018 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 the Audit Committee
<p>Impairment of loans due from group undertakings.</p> <p>2018: £nil impairment recognised on a total balance of £4.5bn. (2017: £nil impairment recognised on a total balance of £3.2bn).</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 the financial viability of the borrower company with reference to its net assets position to check its ability to repay the loan.</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 issues with the recoverability 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 2018 (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 (2017: £16 million), which is 0.5% (2017: 0.5%) of total assets. We believe that total assets provides us with the most appropriate basis for determining overall materiality given that the Company's loans due from group undertakings balance accounts for around 99% of the Company's total assets (2017: 99.7%) and the fact that key users of the Company's financial statements are primarily focused on the recoverability of the loans due from group undertakings.

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% (2017: 75%) of our planning materiality, namely £17.1m (2017: £12.04m). 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 (2017: £0.8m), 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

Independent Auditor's Report to the Members of Land Securities Capital Markets PLC for the year ended 31 March 2018 (continued)

Respective responsibilities of directors

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, 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 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 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.

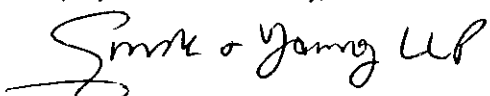
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 5 years, covering all year ends between 31 March 2014 and 31 March 2018. 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



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

24 July 2018

Statement of Comprehensive Income for the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Interest income	5	163,675	136,628
Interest expense	5	(163,243)	(136,377)
Profit before tax		432	251
Taxation	7	(82)	(50)
Profit and total comprehensive income for the financial year		350	201

There were no recognised gains or losses for 2018 or 2017 other than those included in the Statement of Comprehensive Income.

All amounts derive from continuing activities.

Balance Sheet as at 31 March 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Loans due from Group undertakings	8	<u>4,537,879</u>	<u>3,203,028</u>
Total non-current assets		<u>4,537,879</u>	<u>3,203,028</u>
Current assets			
Trade and other receivables	9	<u>42,686</u>	<u>9,773</u>
Cash at bank and in hand		<u>799</u>	<u>365</u>
Total current assets		<u>43,485</u>	<u>10,138</u>
Total assets		<u>4,581,364</u>	<u>3,213,166</u>
Current liabilities			
Trade and other payables	10	<u>(42,854)</u>	<u>(9,857)</u>
Total current liabilities		<u>(42,854)</u>	<u>(9,857)</u>
Non-current liabilities			
Borrowings	11	<u>(2,598,581)</u>	<u>(2,516,153)</u>
Loans due to Group undertakings	11	<u>(1,939,298)</u>	<u>(686,875)</u>
Total non-current liabilities		<u>(4,537,879)</u>	<u>(3,203,028)</u>
Total liabilities		<u>(4,580,733)</u>	<u>(3,212,885)</u>
Net Assets		<u>631</u>	<u>281</u>
Equity			
Capital and reserves			
Ordinary shares	12	<u>50</u>	<u>50</u>
Retained earnings		<u>581</u>	<u>231</u>
Total Equity		<u>631</u>	<u>281</u>

The financial statements on pages 7 to 14 were approved by the Board of Directors on 23 July 2018 and were signed on its behalf by:

M. R. Wood

M R Wood
Director

Statement of changes in equity

	Notes	Ordinary shares £'000	Retained earnings £'000	Total £'000
At 1 April 2016		50	480	530
Total comprehensive income for the year ended 31 March 2017		-	201	201
Transactions with owners:				
Dividends	6	-	(450)	(450)
At 31 March 2017		50	231	281
Total comprehensive income for the year ended 31 March 2018		-	350	350
At 31 March 2018		50	581	631

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.

These are the first set of financial statements in which the Company has presented a single Statement of Comprehensive Income. There were no adjustments in respect of the previously reported financial position as a result of this change.

The financial statements are prepared in 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 2018 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 2018.

The accounting policies and methods of computation used remain unchanged from the previous year and no 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 comprises 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

The loans due from Group undertakings are 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 Statement of Comprehensive Income account over the period of the loan receivable, using the effective interest method.

The loans due to Group undertakings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the loan payable is 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 loan payable, using the effective interest method.

(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) Impairment

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, the Company assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate ('EIR').

(f) 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.

(g) Dividend distribution

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. 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 judge when there is sufficient objective evidence to require the impairment of amounts due from Group undertakings. It does this on the basis of the fair value of the net assets of the counterparty which is a fellow subsidiary undertaking of the Land Securities Group PLC.

4. Management and administrative expenses

(a) Management services

The Company had no employees during the year (2017: None).

(b) Directors' emoluments

The Group's directors' emoluments are borne by Land Securities Properties Limited. The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company (2017: £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 (2017: £1,700), which is borne by Land Securities Properties Limited. There were no non-audit services received during the year (2017: None).

5. Net interest income

	2018 £'000	2017 £'000
Interest expense		
Bond and debenture debt	(111,007)	(128,927)
Bond tender fees	-	(741)
Interest payable on loans due to Group undertakings	(52,236)	(6,709)
Total interest expense	(163,243)	(136,377)
Interest income		
Interest receivable on loans due from Group undertakings	163,675	135,887
Recharge of bond tender fees	-	741
Total interest income	163,675	136,628
Net interest income	432	251

6. Dividends

	2018 £ per share	2017 £ per share	2018 £'000	2017 £'000
Ordinary – interim	-	9	-	450

7. Income tax

	2018 £'000	2017 £'000
Current tax		
Income tax on profit for the year	82	50
Total income tax charge in the Statement of Comprehensive Income	82	50
Total tax charge	82	50
Factors affecting the tax charge for the year		
The current income tax charge for the year equates to (2017: equates to) the standard rate of corporation tax in the UK of 19% (2017: 20%).		
Profit before tax	432	251
Profit before tax multiplied by the rate of corporation tax in the UK of 19% (2017: 20%)	82	50
Total income tax charge in the Statement of Comprehensive Income (as above)	82	50

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.

8. Loans due from Group undertakings

	2018 £'000	2017 £'000
Loans due from Group undertakings – fellow subsidiary	4,537,879	3,203,028
Total loans due from Group undertakings	4,537,879	3,203,028

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, £5,207.0m (2017: £3,970.0m), is the same as the fair value of non-current loans and medium-term notes (note 11).

9. Trade and other receivables

	2018 £'000	2017 £'000
Accrued interest on intercompany loans	42,686	9,773
Total current trade and other receivables	42,686	9,773

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%.

10. Trade and other payables

	2018 £'000	2017 £'000
Accrued interest	42,686	9,773
Current tax liabilities	54	20
Amounts due to Group undertakings – fellow subsidiary	114	64
Total current trade and other payables	42,854	9,857

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

11. Borrowings

			2018			2017		
		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	5.5	46,498	50,080	46,462	46,689	52,872	46,636
A10	4.875% MTN due 2025	5.0	13,500	15,547	13,429	28,141	33,970	27,970
A12	1.974% MTN due 2026	2.0	400,000	401,440	398,988	400,000	410,776	398,827
A4	5.391% MTN due 2026	5.4	25,393	30,178	25,339	26,868	33,472	26,802
A5	5.391% MTN due 2027	5.4	186,332	229,339	185,859	584,748	748,916	583,094
A6	5.376% MTN due 2029	5.4	84,400	107,212	84,114	317,497	420,322	316,335
A16	2.375% MTN due 2029	2.5	350,000	351,649	346,532	-	-	-
A13	2.399% MTN due 2031	2.4	300,000	300,498	299,038	300,000	313,842	298,962
A7	5.396% MTN due 2032	5.4	156,254	209,975	155,567	320,958	441,411	319,468
A11	5.125% MTN due 2036	5.1	56,391	77,577	55,545	500,000	689,100	498,059
A14	2.625% MTN due 2039	2.6	500,000	498,355	492,926	-	-	-
A15	2.750% MTN due 2059	2.8	500,000	511,560	494,782	-	-	-
Total borrowings			2,618,768	2,783,410	2,598,581	2,524,901	3,144,681	2,516,153
Non-current loans due to Group undertakings – fellow subsidiary								
A3	5.425% MTN due 2022	5.5	208,830	224,916	208,596	208,639	236,267	208,406
A10	4.875% MTN due 2025	5.0	286,500	329,942	285,003	271,880	328,200	270,453
A4	5.391% MTN due 2026	5.4	185,282	220,198	184,874	183,807	228,989	183,339
A5	5.391% MTN due 2027	5.4	421,893	519,270	420,872	23,503	30,101	23,431
A6	5.376% MTN due 2029	5.4	233,108	296,115	232,281	-	-	-
A7	5.396% MTN due 2032	5.4	165,845	222,864	165,113	1,249	1,718	1,246
A11	5.125% MTN due 2036	5.1	443,609	610,269	442,559	-	-	-
Total non-current loans due to Group undertakings			1,945,067	2,423,574	1,939,298	689,078	825,275	686,875

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:

	2018 £'000	2017 £'000
Within one year	182,979	147,799
One to five years	945,726	818,869
Over five years	5,622,031	3,708,578
	6,750,736	4,675,246

Medium-term notes (MTN)

The MTNs are secured on the fixed and floating pool of assets of 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 £13.7bn at 31 March 2018 (31 March 2017: £12.9bn). 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.

On 22 September 2017, the Group purchased £219.4m of its A6 5.376% MTN due in 2029 and £282.8m of its A11 5.125% MTN due in 2036 at a premium to Group of £171.2m.

On 29 March 2018, the Group purchased £398.4m of its A5 5.391% MTN due in 2027, £88.2m of its A7 5.396% MTN due in 2032 and £119.4m of its A11 5.125% MTN due in 2036 at a premium to Group of £164.5m.

Earlier in the year, the Group purchased £0.2m of its A3 5.425% MTN due in 2022, £14.6m of its A10 4.875% MTN due in 2025, £1.5m of its A4 5.391% MTN due in 2026, £13.6m of its A6 5.376% MTN due in 2029, £76.4m of its A7 5.396% MTN due in 2032 and £41.5m of its A11 5.125% MTN due in 2036 at a premium to Group of £49.3m.

As a result of the Group's repurchases during the year, the Company reclassified £1,256.0m of its MTNs as non-current amounts due to Group undertakings at their outstanding carrying amounts as these MTNs are now held by a fellow subsidiary within the Group.

In conjunction with the September 2017 tender exercises, the Company issued a £500m 2.625 % MTN with a final maturity of 2039 and a £500m 2.750% MTN with a final maturity of 2059. In conjunction with the March 2018 tender exercises, the Company issued a £350m 2.375% MTN due 2029. Issue costs associated with the issuances amounted to £15.8m.

11. Borrowings (continued)

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.

12. Ordinary share capital

	Authorised and issued		Allotted and fully paid	
	2018	2017	2018	2017
	Number	Number	£	£
Ordinary shares of £1.00 each	50,000	50,000	50,000	50,000

13. 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 and inter-company loans, and are deemed to have negligible credit risk. The solvency of the Land Securities Group is considered strong and therefore credit risk is deemed to be negligible.

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 2018 and 31 March 2017.

Sensitivity analysis

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

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 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 2018 (2017: £Nil).

15. Parent company

The immediate parent company is Land Securities PLC.

The ultimate parent company and controlling party at 31 March 2018 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 2018 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.