

Registered Number 05193511

LAND SECURITIES CAPITAL MARKETS PLC
FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

Interim Management Report for the six months ended 30 September 2018

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 2018.

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

The Company has **£4.5bn** (31 March 2018: **£4.5bn**) 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 certain group companies ("The Security Group") giving debt investors security over a pool of investment properties valued at **£13.5bn** at 30 September 2018 (31 March 2018: **£13.7bn**).

During the period, the Group purchased **£8.3m** of its medium-term notes (MTNs) for a premium of **£1.9m**. The Group repurchased **£7.9m** of its A6 MTN due in 2029 and **£0.4m** 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. The remaining **£0.6m** of MTNs repurchased were fully cancelled.

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 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 that 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.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six-month period ended 30 September 2018 (six months ended 30 September 2017: **£Nil**).

CORPORATE GOVERNANCE

The Company is a wholly owned subsidiary of the Land Securities Group which beneficially holds 100% of the ordinary share capital of the Company (refer to Note 15). The Company's risk management framework is applied through the Land Securities Group's Risk Management Process, which covers the risk management and internal control system. Details of the Process can be found in the consolidated financial statements for 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 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 2018 (continued)**DIRECTORS**

The Directors of Land Securities Capital Markets PLC who held office during the period and up to the date of this report were:

T J Ashby, Group General Counsel and Company Secretary
M P Cadwaladr, Group Financial Controller
D Don-Wauchope, Head of Retail Finance
M F Greenslade, Chief Financial Officer
D J Heaford, Head of London Finance
M R Wood, Group Tax and Treasury Director
M R Worthington, Director of Taxation

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 for the six months ended 30 September 2018

The Board of Directors comprising T J Ashby, M P Cadwaladr, D Don-Wauchope, M F Greenslade, D J Heaford, M R Wood and M R Worthington, 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 2018 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
M R Worthington,
Director
28 November 2018

Registered and domiciled in England and Wales
Registered number: 05193511

Unaudited Statement of Comprehensive Income for the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 £'000	Six months ended 30 September 2017 £'000
Interest income	5	92,270	72,717
Interest expense	5	(92,139)	(72,594)
Profit before tax		131	123
Taxation	6	(25)	(23)
Profit and total comprehensive income for the financial period		106	100

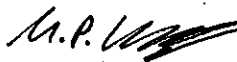
There were no recognised gains or losses for 2018 or 2017 other than those included in the Statement of Comprehensive Income.

All amounts are derived from continuing activities.

Unaudited Balance Sheet as at 30 September 2018
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	Notes	30 September 2018 £'000	31 March 2018 £'000
Non-current assets			
Loans due from Group undertakings	7	4,537,748	4,537,879
		<u>4,537,748</u>	<u>4,537,879</u>
Current assets			
Trade and other receivables	8	54,031	42,686
Cash at bank and in hand		770	799
		<u>54,801</u>	<u>43,485</u>
Total assets		<u>4,592,549</u>	<u>4,581,364</u>
Current liabilities			
Trade and other payables	9	(54,064)	(42,854)
		<u>(54,064)</u>	<u>(42,854)</u>
Non-current liabilities			
Borrowings	10	(2,590,788)	(2,598,581)
Loans due to Group undertakings	10	(1,946,960)	(1,939,298)
		<u>(4,537,748)</u>	<u>(4,537,879)</u>
Total liabilities		<u>(4,591,812)</u>	<u>(4,580,733)</u>
Net Assets		<u>737</u>	<u>631</u>
Equity			
Capital and reserves			
Ordinary shares	11	50	50
Retained earnings		687	581
Total Equity		<u>737</u>	<u>631</u>

The financial statements on pages 4 to 11 were approved by the Board of Directors on 28 November 2018 and were signed on its behalf by:



M R Worthington
Director

Unaudited statement of changes in equity
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	Ordinary shares £'000	Retained earnings £'000	Total £'000
At 1 April 2017	50	231	281
Total comprehensive income for the six months ended 30 September 2017	-	100	100
At 30 September 2017	50	331	381
Total comprehensive income for the six months ended 31 March 2018	-	350	350
At 31 March 2018	50	581	631
Total comprehensive income for the six months ended 30 September 2018	-	106	106
At 30 September 2018	50	687	737

1. Basis of preparation

This condensed interim financial information for the six months ended 30 September 2018 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 2018, presented in accordance with FRS 101, were approved by the Board of Directors on 23 July 2018 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 Companies annual financial statements for the year ended 31 March 2018. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(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

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 intercompany loan by applying the effective interest rate which takes account of the amortisation of finance costs over the term of the loan notes 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.

2. Significant accounting policies (continued)

(h) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value, subsequently at amortised cost and, where relevant, adjusted for the time value of money. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned. If collection is expected in more than one year, they are classified as non-current assets.

(j) Trade and other payables

Trade and other payables with no stated interest rate and payable within one year are recorded at transaction price. Trade and other payables after one year are discounted based on amortised cost method using the effective interest rate.

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 loans 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 period (six months ended 30 September 2017: 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 Land Securities Properties Limited. The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company (six months ended 30 September 2017: £Nil).

5. Net interest income

	Six months ended 30 September 2018 £'000	Six months ended 30 September 2017 £'000
Interest expense		
Bond and debenture debt	(40,759)	(56,222)
Interest payable on loans due to Group undertakings	(51,280)	(16,372)
Total interest expense	<u>(92,139)</u>	<u>(72,594)</u>
Interest income		
Interest receivable on loans due from Group undertakings	92,270	72,717
Total interest income	<u>92,270</u>	<u>72,717</u>
Net interest income	<u>131</u>	<u>123</u>

6. Income tax

	Six months ended 30 September 2018 £'000	Six months ended 30 September 2017 £'000
Current tax		
Income tax on profit for the period	25	23
Total income tax charge in the Statement of Comprehensive Income	25	23
Factors affecting the tax charge for the period		
The current income tax charge for the period equates to (2017: equates to) the standard rate of corporation tax in the UK of 19% (2017: 20%).		
Profit before tax	131	123
Profit before tax multiplied by the rate of corporation tax in the UK of 19% (2017: 20%)	25	23
Total income tax charge in the Statement of Comprehensive Income (as above)	25	23

Land Securities Group PLC is a Real Estate Investment Trust (REIT). As a result, the Company does not pay UK corporation tax on the profits and gains from qualifying rental businesses in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Company continue to be subject to corporation tax as normal.

7. Loans due from Group undertakings

	30 September 2018 £'000	31 March 2018 £'000
Loans due from Group undertakings	4,537,748	4,537,879
Total loans due from Group undertakings	4,537,748	4,537,879

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 is considered to be insignificant (i.e. an additional 0.01%).

Therefore, it is considered that the fair value of loans due from Group undertakings, £5,051.6m (31 March 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

	30 September 2018 £'000	31 March 2018 £'000
Accrued interest on intercompany loans	53,999	42,686
Current tax assets	32	-
Total current trade and other receivables	54,031	42,686

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 2018 £'000	31 March 2018 £'000
Accrued interest	53,999	42,686
Current tax liabilities	-	54
Amounts owed to Group undertakings – fellow subsidiary	64	114
Total current trade and other payables	54,063	42,854

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

10. Borrowings

		30 September 2018			31 March 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	5.5	46,498	49,126	46,471	46,498	50,080	46,462
A10 4.875% MTN due 2025	5.0	13,500	15,323	13,434	13,500	15,547	13,429
A12 1.974% MTN due 2026	2.0	400,000	399,120	399,071	400,000	401,440	398,988
A4 5.391% MTN due 2026	5.4	25,393	29,613	25,343	25,393	30,178	25,339
A5 5.391% MTN due 2027	5.4	186,332	222,029	185,887	186,332	229,339	185,859
A6 5.376% MTN due 2029	5.4	76,460	94,988	76,211	84,400	107,212	84,114
A16 2.375% MTN due 2029	2.5	350,000	350,270	346,705	350,000	351,649	346,532
A13 2.399% MTN due 2031	2.4	300,000	298,293	299,077	300,000	300,498	299,038
A7 5.396% MTN due 2032	5.4	155,822	200,561	155,154	156,254	209,975	155,567
A11 5.125% MTN due 2036	5.1	56,391	74,126	55,549	56,391	77,577	55,545
A14 2.625% MTN due 2039	2.6	500,000	482,885	493,068	500,000	498,355	492,926
A15 2.750% MTN due 2059	2.8	500,000	474,915	494,818	500,000	511,560	494,782
Total borrowings		2,610,396	2,691,249	2,590,788	2,618,768	2,783,410	2,598,581
Non-current loans due to Group undertakings							
A3 5.425% MTN due 2022	5.5	208,830	220,633	208,596	208,830	224,916	208,596
A10 4.875% MTN due 2025	5.0	286,500	325,183	285,003	286,500	329,942	285,003
A4 5.391% MTN due 2026	5.4	185,282	216,074	184,874	185,282	220,198	184,874
A5 5.391% MTN due 2027	5.4	421,893	502,719	420,872	421,893	519,270	420,872
A6 5.376% MTN due 2029	5.4	240,796	299,141	239,943	233,108	296,115	232,281
A7 5.396% MTN due 2032	5.4	165,845	213,462	165,113	165,845	222,864	165,113
A11 5.125% MTN due 2036	5.1	443,609	583,124	442,559	443,609	610,269	442,559
Total non-current loans due to Group undertakings		1,952,755	2,360,336	1,946,960	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.

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 £13.5bn at 30 September 2018 (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 of the 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.

During the period, the Group purchased £8.3m of its medium-term notes (MTNs) for a premium of £1.9m. The Group repurchased £7.9m of its A6 MTN due in 2029 and £0.4m 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. The remaining £0.6m of MTNs repurchased were fully cancelled.

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.

10. Borrowings (continued)

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 2018 and 31 March 2018.

Sensitivity analysis

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

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	31 March	30 September	31 March
	2018	2018	2018	2018
	Number	Number	£'000	£'000
Ordinary shares of £1.00 each	50,000	50,000	50	50

12. Cash flow statement exemption

The Company is a wholly owned subsidiary of Land Securities Group PLC which prepares a consolidated cash flow statement. The Company has therefore elected to make use of the exemption not to produce its own cash flow statement.

13. Capital management

The Company considers its capital to constitute Shareholders' 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 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.

14. 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 2018 (six months ended 30 September 2017: £Nil).

15. Parent company

The immediate parent company is Land Securities PLC.

The ultimate parent company and controlling party at 30 September 2018 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 2018 for Land Securities Group PLC can be obtained from the Company Secretary, 100 Victoria Street, London, SW1E 5JL. This is the largest and smallest group to include these accounts in its consolidated financial statements.