

Registered Number 05163698

LS PROPERTY FINANCE COMPANY LIMITED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Strategic Report for the year ended 31 March 2019

The directors of LS Property Finance Company Limited (the 'Company') present their Strategic Report with the audited financial statements for the year ended 31 March 2019.

RESULTS FOR THE YEAR

The results are set out in the Statement of Comprehensive Income on page 6.

REVIEW OF THE BUSINESS

The Company operates primarily as a funding vehicle for Land Securities Group PLC and its subsidiaries (the 'Group' or 'Land Securities Group'). No changes in the Company's principal activity are anticipated in the foreseeable future.

At 31 March 2019, the Company's committed revolving facilities totalled **£2,715m** (31 March 2018: £2,090m). The **£625m** increase in committed facilities is the result of entering into two new facilities and upsizing an existing facility. During the year ended 31 March 2019, the amounts drawn under the Group's facilities decreased by **£3m**.

The company generated sufficient interest during the year to cover interest payable resulting in a small surplus.

The balance sheet as at 31 March 2018 has been restated due to the £4,539,953,000 loan balance between the Company and Land Securities Capital Markets PLC, a fellow group undertaking being incorrectly classified as non-current. Management's expectancy is that the loans will be held to maturity, in line with the fixed rate medium term notes to which they are related between 2022-2059. However, the loan agreement with Land Securities Capital Markets PLC includes a clause that the loan can be called on at the request of Land Securities Capital Markets PLC and therefore the loans due to Group undertakings have been reclassified as current. Retained earnings were not impacted as a result of this restatement.

KEY PERFORMANCE INDICATORS

The directors assess the performance of the Company by reference to the surplus of interest receivable over interest payable from loans to / from the Group's subsidiary undertakings less any allowance for impairment on these loans charged to the Statement of Comprehensive Income during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk facing the Company is that poor performance of the Group's subsidiary undertakings might have a material impact on the recovery of loans repayable to the Company by these entities. The Company's performance during the year indicates a satisfactory performance of the Group's subsidiary undertakings.

GOING CONCERN

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Land Securities Group PLC and due to the existence of a loan agreement with a fellow Group undertaking, Land Securities (Finance) Limited which can be called on at the request of the Company. The directors have received confirmation that Land Securities Group PLC intends to support the Company for at least one year after these financial statements are approved and signed.

FINANCIAL RISK MANAGEMENT

The Company's debt financing and use of interest-rate swaps exposes it to a variety of financial risks that include the effects of changes in liquidity, fair value of swaps and interest rates.

The Company uses interest-rate swaps and similar instruments (forward rate agreements, forward starting swaps, etc) to manage its interest rate exposure.


The Company's principal financial assets are cash and intercompany loans and are deemed to have low credit risk. This credit risk is low because the company entered into an agreement with another Group subsidiary to ensure sufficient funds are available to meet the external obligations when these arise. The credit risk on derivative financial instruments is limited due to the Company's policy of monitoring counterparty exposures. The carrying amounts of the assets best represent the maximum credit risk.

At 31 March 2019, the Company had **£2,490m** (2018: £1,965m) of committed syndicated revolving credit facilities which mature between 2023 and 2024 and committed bilateral facility totalling **£225m** (2018: £125m) which matures between 2023 and 2024. This is designed to ensure that the Company has sufficient available funds to lend to other group undertakings for operations and planned future investments.

The fair value of the Company's borrowings and interest-rate swaps 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
M Smout, for and on behalf of LS Company Secretaries Limited,
Company Secretary
12 December 2019

Registered and domiciled in England and Wales
Registered number: 05163698

Directors' Report for the year ended 31 March 2019

The directors of LS Property Finance Company Limited (the 'Company') present their Director's Report with the audited financial statements for the year ended 31 March 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). 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.

PRINCIPAL ACTIVITY AND FUTURE BUSINESS DEVELOPMENTS

The Company operates primarily as a funding vehicle for Land Securities Group PLC and its subsidiaries (the 'Group' or 'Land Securities Group'). It does this by issuing debt in the market and lending the proceeds to the Group's subsidiaries. No changes in the Company's principal activity are anticipated in the foreseeable future.

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 March 2019 (2018: £Nil).

CORPORATE GOVERNANCE

The Company is a wholly owned subsidiary of the Land Securities Group PLC which beneficially holds 100% of the ordinary share capital of the Company (refer to note 14 and 17). The Company's risk management framework is applied through the Land Securities Group's Risk Management Process, which covers the risk management and internal control system. Details of the Process can be found in the consolidated financial statements for the year ended 31 March 2019, available on the Group's website.

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

POST BALANCE SHEET EVENTS

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

DIRECTORS

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

M R Wood	
M F Greenslade	
M P Cadwaladr	
J Gillard	
M R Worthington	
A M Deutsch	(appointed 30 July 2018)
J L Fountain	(appointed 30 July 2018)
R C Futter	(appointed 30 July 2018)

FINANCIAL RISK MANAGEMENT

The financial risk management objective and policies are disclosed in the Strategic Report and note 15.

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.

Directors' Report for the year ended 31 March 2019 (Continued)

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.



By order of the Board
M Smout, for and on behalf of LS Company Secretaries Limited,
Company Secretary
12 December 2019

Registered Office
100 Victoria Street
London
SW1E 5JL

Registered and domiciled in England and Wales
Registered number: 05163698

Independent Auditor's Report to the Members of LS Property Finance Company Limited

Opinion

We have audited the financial statements of LS Property Finance Company Limited (the 'Company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the statement of Changes in Equity and the related notes 1 to 18, 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 2019 and of its loss 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, 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.

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; or
- 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 LS Property Finance Company Limited (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.

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.

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.



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

12 December 2019

Statement of Comprehensive Income for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Interest income	6	204,775	173,864
Interest expense	6	(204,754)	(173,845)
Profit before tax		21	19
Taxation	7	(4)	(3)
Profit for the financial year		17	16
Other comprehensive income:			
Items which may be subsequently reclassified to profit or loss			
Fair value movement on cash flow hedges arising during the year		(479)	19,606
Total comprehensive (loss)/income for the year		(462)	19,622

All amounts derive from continuing activities.

Balance Sheet as at 31 March 2019

	Notes	2019 £'000	2018 £'000 (Restated)
Non-current assets			
Loans due from Group undertakings	8	4,764,953	4,766,618
Derivative financial instruments	13	174	6,220
		<u>4,765,127</u>	<u>4,772,838</u>
Current assets			
Trade and other receivables	9	57,410	57,665
Loans due from Group undertakings	10	6,677	6,400
Cash at bank and in hand		1,596	185
		<u>65,683</u>	<u>64,250</u>
Total assets		<u>4,830,810</u>	<u>4,837,088</u>
Current liabilities			
Trade and other payables	11	(43,635)	(46,669)
Derivative financial instruments	13	-	(1,117)
Loans due to Group undertakings	12	(4,539,953)	(4,538,618)
		<u>(4,583,588)</u>	<u>(4,586,404)</u>
Non-current liabilities			
Borrowings	12	(225,000)	(228,000)
		<u>(225,000)</u>	<u>(228,000)</u>
Total liabilities		<u>(4,808,588)</u>	<u>(4,814,404)</u>
Net assets		<u>22,222</u>	<u>22,684</u>
Equity			
Capital and reserves			
Ordinary shares	14	-	-
Retained earnings		22,222	22,684
Total Equity		<u>22,222</u>	<u>22,684</u>

2018: Restated as a result of a reclassification of the prior year non-current loans due to Group undertakings. See note 18 for further details.

The financial statements on pages 6 to 14 were approved by the Board of Directors on 12 December 2019 and were signed on its behalf by:



M R Worthington
Director

Statement of changes in equity for the year ended 31 March 2019
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	Ordinary shares £'000	Retained earnings £'000	Total £'000
At 1 April 2017	-	3,062	3,062
Total comprehensive income for the financial year	-	19,622	19,622
At 31 March 2018	-	22,684	22,684
Total comprehensive loss for the financial year	-	(462)	(462)
At 31 March 2019	-	22,222	22,222

1. Basis of preparation

LS Property Finance Company Limited (the 'Company') is a private company limited by shares and is incorporated, domiciled and registered in England and Wales (Registered number: 05163698). The nature of the Company's operations and its registered office are 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 100 Victoria Street, London, SW1E 5JL.

These financial statements of the Company 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.

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'; and
- (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 the continued financial support of the ultimate parent company Land Securities Group PLC and due to the existence of a loan agreement with a fellow Group undertaking, Land Securities (Finance) Limited which can be called on at the request of the Company. The directors have received confirmation that Land Securities Group PLC intends to support the Company for at least one year after these financial statements are approved and signed.

The balance sheet as at 31 March 2018 has been restated due to the £4,539,953,000 loan balance between the Company and Land Securities Capital Markets PLC, a fellow group undertaking being incorrectly classified as non-current. Management's expectancy is that the loans will be held to maturity, in line with the fixed rate medium term notes to which they are related between 2022-2059. However, the loan agreement with Land Securities Capital Markets PLC includes a clause that the loan can be called on at the request of Land Securities Capital Markets PLC and therefore the loans due to Group undertakings have been reclassified as current. Retained earnings were not impacted as a result of this restatement.

The Company has taken advantage of the exemption available under FRS 101 to present a Statement of Financial Position and related notes at the beginning of the earliest comparative period, or third balance sheet whenever an entity makes a retrospective restatement (IAS 1 paragraph 10(f) and paragraphs 40A-40D).

2. Significant accounting policies

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

(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) Interest-rate swaps

The Company uses interest-rate swaps to manage its market risk. In accordance with its Treasury policy, the Company does not hold or issue derivatives for trading purposes. All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently re-measured at fair value. The fair value of interest-rate swaps is based on counterparty or market quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. Derivatives that do not qualify for hedge accounting: the gain or loss on derivatives that do not qualify for hedge accounting, and the non-qualifying element of derivatives that do qualify for hedge accounting, are recognised immediately in the Statement of Comprehensive Income.

(c) 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.

When debt refinancing exercises are carried out, existing liabilities will be treated as being extinguished when the new liability is substantially different from the existing liability. In making this assessment, the Company will consider the transaction as a whole, taking into account both qualitative and quantitative characteristics.

(d) 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.

2. Significant accounting policies (continued)

(e) Interest receivable and interest payable

Interest payable on borrowings 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 borrowings. Intercompany interest receivable and interest payable are recognised on an accruals basis on the corresponding intercompany loans 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.

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

3. Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year, the impact of which is outlined below.

Changes in accounting policy

The Company has adopted IFRS 9 Financial Instruments on 1 April 2018. While some accounting policies have been amended on adoption of the standard, there have been no adjustments to the Company's Statement of Comprehensive Income or Balance Sheet. The new accounting policies are set out in notes 2 (c) and 2 (d) and 16.

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

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

4. 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 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.

Estimates

Loans due from Group undertakings

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

5. Management and administrative expenses

(a) Management services

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

(b) Directors' emoluments

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

(c) Auditor's remuneration

The Group auditor's carry out the audit of the Land Securities Group of which the Company is a subsidiary. The incremental cost of performing audit services on the Company's financial statements is £1,700 (2018: £1,700), which is borne by Land Securities Properties Limited. There were no non-audit services provided during the year (2018: None).

6. Net interest income

	2019 £'000	2018 £'000
Interest expense		
Bank borrowings	(6,272)	(3,924)
Other interest payable	(5,412)	(5,298)
Fair value losses on interest-rate swaps	(7,588)	-
Interest payable on loans owed to Group undertakings	(185,482)	(163,675)
Issue costs written off	-	(948)
Total interest expense	(204,754)	(173,845)
Interest income		
Interest receivable on loans due from Group undertakings	204,775	166,952
Fair value gains on interest-rate swaps and foreign exchange forwards	-	6,912
Total interest income	204,775	173,864
Net interest income	21	19

7. Income tax

	2019 £'000	2018 £'000
Current tax		
Income tax on profit for the year	4	3
Total income tax charge in the Statement of Comprehensive Income	4	3
Factors affecting the tax charge for the year		
The current income tax charge for the year equates to (2018: equates to) the standard rate of corporation tax in the UK of 19% (2018: 19%).		
Profit before tax	21	19
Profit before tax multiplied by the rate of corporation tax in the UK of 19% (2018: 19%)	4	3
Total income tax charge in the Statement of Comprehensive Income (as above)	4	3

8. Loans due from Group undertakings

	2019 £'000	2018 £'000
Loans due from Group undertakings - fellow subsidiary undertaking	4,764,953	4,766,618
Total loans due from Group undertakings	4,764,953	4,766,618

The loans due from Group undertakings are wholly due from Land Securities (Finance) Limited and mirror the payment terms of the Company's non-current loans due to fellow subsidiary undertakings with maturities between 2022-2059 and syndicated/ bilateral debt with maturities between 2023-2024.

The unsecured loans due from Group undertakings are repayable when the loans to which they relate are to be repaid. Interest on non-current loans due to fellow subsidiary undertakings is charged at fixed rates of between 1.974% and 5.425% on the related notes plus 0.01%. Interest on the syndicated/ bilateral debt is charged at LIBOR + margin plus 0.01%.

Therefore, the fair value of loans due from Group undertakings at 31 March 2019 of £5,419m (2018: £5,435m), is the same as the fair values of the associated non-current loans due to fellow subsidiary undertakings and syndicated/ bilateral debt. For further information refer to note 12.

9. Trade and other receivables

	2019 £'000	2018 £'000
Prepayments	13,722	10,921
Accrued interest on intercompany loans	43,635	46,669
Current tax assets	53	75
Total current trade and other receivables	57,410	57,665

10. Loans due from Group undertakings

	2019 £'000	2018 £'000
Loans due from fellow subsidiary undertaking	6,677	6,400
Total loans due from Group undertakings	6,677	6,400

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

11. Trade and other payables

	2019 £'000	2018 £'000
Interest accruals	43,635	46,669
Total current trade and other payables	43,635	46,669

12. Loans and Borrowings

	Effective interest rate %	Nominal/ notional value £'000	Fair value £'000	2019 Book value £'000	Nominal/ notional value £'000	Fair value £'000	2018 Book value £'000
Non-current borrowings							
Syndicated bank debt	LIBOR + margin	225,000	225,000	225,000	228,000	228,000	228,000
Total non-current borrowings		225,000	225,000	225,000	228,000	228,000	228,000
		Nominal/ notional value £'000	Fair value £'000	2019 Book value £'000	Nominal/ notional value £'000	Fair value £'000	2018 Book value £'000 (Restated)
Current loans due to Group undertakings							
Loans due to Group undertakings - fellow subsidiary		4,563,125	5,194,101	4,539,953	4,563,835	5,206,984	4,538,618
Total loans due to Group undertakings		4,563,125	5,194,101	4,539,953	4,563,835	5,206,984	4,538,618

2018: Restated as a result of a reclassification of the prior year non-current loans due to Group undertakings. See note 18 for further details.

Interest on the loans due to fellow subsidiary undertaking mirror the related fixed rate medium-term notes (MTNs) issued by the lender (Land Securities Capital Markets PLC) to open market and to other fellow subsidiaries. Interest is charged at fixed rates of between 1.974% and 5.425% on the related notes plus 0.01%. The related fixed rate MTNs have final maturities between 2022-2059. Loans due to fellow subsidiary undertaking are repayable when the MTNs to which they relate are to be repaid or earlier at the request of Land Securities Capital Markets PLC.

Syndicated and bilateral bank debt

	Maturity as at 31 March 2019	2019 £'000	Authorised 2018 £'000	2019 £'000	Drawn 2018 £'000	2019 £'000	Undrawn 2018 £'000
Syndicated debt	2023-24	2,490,000	1,965,000	100,000	103,000	2,390,000	1,862,000
Bilateral debt	2023-24	225,000	125,000	125,000	125,000	100,000	-
		2,715,000	2,090,000	225,000	228,000	2,490,000	1,862,000

At 31 March 2019, the Company's committed revolving facilities totalled £2,715m (31 March 2018: £2,090m). The £625m increase in committed facilities is the result of entering into two new facilities and upsizing an existing facility. During the year ended 31 March 2019, the amounts drawn under the Group's facilities decreased by £3m.

All syndicated and bilateral facilities are committed and secured on the fixed and floating pool of assets held by Group companies (the 'Security Group'). Debt investors benefit from security over a pool of investment properties, development properties and the Group's investment in the X-Leisure Fund, Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership in total valued at £13.2bn at 31 March 2019 (31 March 2018: £13.7bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. 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.

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

	2019				2018			
	Loans due to fellow subsidiary undertaking £'000	Borrowings £'000	Derivatives £'000	Total £'000	Loans due to fellow subsidiary undertaking £'000	Borrowings £'000	Derivatives £'000	Total £'000
Less than one year	438,213	3,153	17,658	459,024	182,979	2,887	7,753	193,619
Between 1 and 2 years	169,089	3,144	-	172,233	438,345	2,887	999	442,231
Between 2 and 5 years	1,408,805	231,448	2,498	1,642,751	507,381	232,172	5,588	745,141
Over five years	4,549,985	-	-	4,549,985	5,622,031	-	182	5,622,213
	6,566,092	237,745	20,156	6,823,993	6,750,736	237,946	14,522	7,003,204

12. Loans and Borrowings (continued)

Valuation hierarchy

The fair value of any floating rate financial liabilities are assumed to be equal to their nominal value and as such the syndicated and bilateral facilities fall within Level 2, as defined by IFRS 13.

The fair value of the loans due to fellow subsidiary is based on values of the corresponding MTNs to which they relate, 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.

13. Derivative financial instruments

Fair value of derivative financial instruments	2019 £'000	2018 £'000
Non-current assets	174	6,220
Current liabilities	-	(1,117)
Notional amount	2019 £'000	2018 £'000
Interest-rate swaps	400,000	400,000
Foreign exchange forward	-	45,000
Foreign exchange swaps	42,900	-
	442,900	445,000

Valuation hierarchy

Interest-rate swaps

The fair values of the financial instruments have been determined by reference to relevant market prices, where available. The fair values of the Company's outstanding interest-rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates. These valuation techniques fall within level 2, as defined by IFRS 13. The interest-rate swaps have a maturity date of April 2023 and have fixed interest rates of between 0.77% and 1.11%.

Foreign exchange forwards

The fair values of the financial instruments have been determined by reference to relevant market prices, where available. These valuation techniques fall within level 2, as defined by IFRS 13.

Foreign exchange swaps

The fair values of the financial instruments have been determined by reference to relevant market prices, where available. These valuation techniques fall within level 2, as defined by IFRS 13.

14. Ordinary share capital

	Authorised and issued		Allotted and fully paid	
	2019 Number	2018 Number	2019 £'000	2018 £'000
Ordinary shares of £1.00 each	100	100	-	-

15. 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 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, it has low credit risk. The solvency of the Land Securities Group is considered strong and therefore credit risk of the group subsidiary is also deemed to be negligible.

Interest rate risk

The company uses derivative financial instruments to manage its interest rate exposure. Where specific hedges are used to fix the interest exposure on debt, these may qualify for hedge accounting.

At 31 March 2019, the Company had pay-fixed interest-rate swaps in place with a nominal value of £400m (2018: £400m). Based on the Company's debt balances at 31 March 2019, a 1% increase in interest rates would increase the annual net finance expense in the Statement of Comprehensive Income and reduce equity by £7m (2018: £6m). The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest-rate swaps and cash and cash equivalents.

15. Capital and financial risk management (continued)

Liquidity risk

The Company actively maintains a mixture of facilities with final maturities between 2023 and 2024. Any short-term liquidity requirement is minimal and funding requirements can be covered by the committed facilities held by other Group companies.

Foreign currency risk

At 31 March 2019, the Company had €50m (2018: €50m) of foreign currency exposure, relating to a foreign currency derivative contract entered into in order to economically hedge forecast foreign currency purchases of the Group. A 10% (weakening)/strengthening of Sterling would have a (£5m)/£4m (2018: (£5m)/£4m) impact on the Statement of Comprehensive Income and equity.

16. Changes in accounting policies

IFRS 9 Financial instruments

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

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

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

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

17. Parent company

The immediate parent company is Land Securities PLC.

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

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

18. Prior year restatement

The balance sheet as at 31 March 2018 has been restated due to the £4,539,953,000 loan balance between the Company and Land Securities Capital Markets PLC, a fellow group undertaking being incorrectly classified as non-current. Management's expectancy is that the loans will be held to maturity, in line with the fixed rate medium term notes to which they are related between 2022-2059. However, the loan agreement with Land Securities Capital Markets PLC includes a clause that the loan can be called on at the request of Land Securities Capital Markets PLC and therefore the loans due to Group undertakings have been reclassified as current. Retained earnings were not impacted as a result of this restatement.

	2018 £'000
Effect on non-current loans due to Group undertakings	
Non-current loans due to Group undertakings at 31 March 2018	4,539,953
Adjustment to reclassify non-current loans due to Group undertakings as current	(4,539,953)
Restated non-current loans due to Group undertakings	-
	2018 £'000
Effect on current loans due to Group undertakings	
Current loans due to Group undertakings at 31 March 2018	-
Adjustment to reclassify non-current loans due to Group undertakings as current	4,539,953
Restated current loans due to Group undertakings	4,539,953