Registered number: 00961477

LAND SECURITIES PROPERTIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The directors of Land Securities Properties Limited (the 'Company') present their Strategic Report and 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 has continued to provide management services for its ultimate parent company and other Group undertakings. No changes in the Company's principal activity are anticipated in the foreseeable future.

Creditor payment policy

The Company manages payments to suppliers for Land Securities Group PLC and its subsidiaries (the 'Group'). The Company agrees the terms and conditions under which business transactions with its suppliers are conducted. It is policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. Trade creditors at 31 March 2019 were equivalent to 28 days of purchases during the year ended on that date.

Key performance indicators

The directors assess the performance of the Company by reference to the Company's profit before tax.

Principal risks and uncertainties

The principal risk facing the Company is that poor performance of Land Securties Group PLC investment property might have a material impact on the management service income in the financial statements. The Company's performance of the investment properties held by the Group during the year indicates a satisfactory performance.

Financial risk management

The Company is exposed to liquidity risk, credit risk and interest rate risk. Given the absence of external borrowings in the Company, these risks are not considered material.

While the Company has minimal short-term liquidity requirements, any funding requirements could be covered by committed facilities held by other Group companies.

The Company's principal financial assets are trade and other receivables and amounts due from Group undertakings and therefore the credit risk it faces is primarily attributable to its trade receivables and amounts due from Group undertakings. Trade receivables are presented in the Balance Sheet net of allowances for doubtful receivables. The Company assesses on a forward-looking basis, the expected credit-losses associated with its trade receivables and amounts due from Group undertakings. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable and amounts due.

There is no material difference between the book value and the fair value of the financial instruments.

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

This report was approved by the Board and signed on its behalf.

E Miles, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 13 December 2019

Registered and domiciled in England and Wales

Registered number: 00961477

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The directors of Land Securities Properties Limited (the 'Company') present their report and the audited financial statements for the year ended 31 March 2019.

Directors' responsibilities statement

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited 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'. Under company law the directors must not approve the audited 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 audited 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the audited 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 to enable them to ensure that the audited 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

The Company has continued to provide management services for its ultimate parent company and other Group undertakings. 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).

Directors

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

T J Ashby
D J Breeze (resigned 14 December 2018)
M F Greenslade
E Miles
R M Noel

B Hoffman (appointed 19 July 2019)

Indemnity

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

Financial risk management

The financial risk management objectives and policies are disclosed in the Strategic Report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

Statement of disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Registered Office
100 Victoria Street
London
SW1E 5JL

This report was approved by the Board and signed on its behalf.

E Miles, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 13 December 2019

Registered and domiciled in England and Wales
Registered number: 00961477

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAND SECURITIES PROPERTIES LIMITED

Opinion

We have audited the financial statements of Land Securities Properties 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 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAND SECURITIES PROPERTIES LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, 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.

Claire Johnson (Senior statutory auditor)

For and on behalf of
Ernst & Young LLP, Statutory Auditor

London

Date: 13 December 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £000	2018 £000
Revenue	4	**76,732**	82,023
Property management and administrative expenses	5	**(80,521)**	(83,332)
(Impairment charge)/reversal of impa rment charge on amounts due from Group undertakings	5	**(19,993)**	21,196
Operating (loss)/profit		**(23,782)**	19,887
Interest income	7	**107,461**	91,734
Interest expense	7	**(97,882)**	(94,210)
Dividends received		**7,746**	-
(Loss)/profit before tax		**(6,457)**	17,411
Taxation	9	**(2,071)**	1.379
(Loss)/profit for the financial year		**(8,528)**	18,790
Other comprehensive income:			
Re-measurement gain/(loss) on defined benefit pension schemes	6	**1,136**	(1,503)
Deferred tax movement on re-measurement (gain)/loss on defined benefit pension schemes	19	**(68)**	289
Total comprehensive (loss)/income for the year		**(7,460)**	17,576

All amounts are derived from continuing activities.

LAND SECURITIES PROPERTIES LIMITED
REGISTERED NUMBER: 00961477

BALANCE SHEET
AS AT 31 MARCH 2019

	Notes	2019 £000	2018 £000
Non-current assets			
Tangible fixed assets	11	**2,962**	3,768
Intangible assets	12	**6,656**	5,378
Investments in subsidiary undertakings	10	**1,035**	1,035
Pension surplus	6	**12,300**	11,900
		22,953	22,081
Current assets			
Trade and other receivables	13	**41,816**	40,582
Amounts due from Group undertakings	14	**2,235,606**	2,859,252
Cash and cash equivalents	17	**19,529**	51,979
		2,296,951	2,951,813
Current liabilities			
Trade and other payables	15	**(32,951)**	(20,978)
Amounts owed to Group undertakings	16	**(2,216,828)**	(2,877,671)
		(2,249,779)	(2,898,649)
Non-current liabilities			
Deferred tax	19	**(2,091)**	(2,023)
		(2,091)	(2,023)
Net assets		**68,034**	73,222
Capital and reserves			
Share capital	18	**321,000**	321,000
Share premium		**124,000**	124,000
Retained loss		**(376,966)**	(371,778)
Total equity		**68,034**	73,222

The financial statements on pages 6 to 23 were approved by the Board of Directors and were signed on its behalf by:

M F Greenslade

Date: 13 December 2019

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Share capital	Share premium	Retained loss	Total equity
	£000	£000	£000	£000
At 1 April 2017	321,000	124,000	(395,312)	49,688
Profit for the financial year	-	-	18,790	18,790
Loss on defined benefit pension scheme	-	-	(1,215)	(1,215)
Contributions from ultimate parent in relation to share based payments	-	-	5,959	5,959
At 31 March 2018	**321,000**	**124,000**	**(371,778)**	**73,222**
Loss for the financial year	-	-	(8,528)	(8,528)
Gain on defined benefit pension scheme	-	-	1,136	1,136
Contributions from ultimate parent in relation to share based payments	-	-	2,204	2,204
At 31 March 2019	**321,000**	**124,000**	**(376,966)**	**68,034**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. Accounting policies

1.1 Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties.

Land Securities Properties Limited (the 'Company') is a private company limited by shares and is incorporated, domiciled and registered in England and Wales (Registered number: 00961477). 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 which are available from the Company's registered office at 100 Victoria Street, London, SW1E 5JL.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2019. The financial statements are prepared in Pounds Sterling (£) and are rounded to the nearest thousand pounds (£000).

1.2 Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary of Land Securities Group PLC, a Company incorporated in England and Wales whose consolidated financial statements are publicly available.

1.3 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requ rements of IFRS 7 Financial Instruments: Disclosures
- the requ rements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requ rement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- the requ rements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requ rements of IAS 7 Statement of Cash Flows
- the requ rements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- 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 requ rements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The equivalent disclosures relating to IFRS 7, IFRS 13 & IAS 36 are included in the consolidated financial statements of Land Securities Group PLC, in which the entity is consolidated.

1.4 Other property, plant and equipment

This category comprises computers, furniture, fixtures and fittings and improvements to Company offices. These assets are stated at cost less accumulated depreciation and are depreciated to their residual value on a straight-line basis over their estimated useful lives of between two and five years.

The residual values and useful lives of all property, plant and equipment are reviewed, and adjusted if appropriate, at least at each financial year end.

1.5 Intangible assets

Intangible assets comprise goodwill and other intangible assets arising on business combinations and software used internally within the business. Intangible assets arising on business combinations are initially recognised at fair value. Goodwill is not amortised but is tested at least annually for impairment. Other intangible assets arising on business combinations are amortised to the Statement of Comprehensive Income over their expected useful lives. Software assets are stated at cost less accumulated amortisation and are amortised on a straight-line basis over their estimated useful economic lives, normally three to five years.

1.6 Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the Company's Balance Sheet, less any provision for impairment in value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. Accounting policies (continued)

1.7 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. The Company assesses on a forward-looking basis, the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. If collection is expected in more than one year, the balance is presented within non-current assets.

In determining the expected credit losses, the Company takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which our customers operate.

Trade and other receivables are written off once all avenues to recover the balances are exhausted and the lease has ended. Receivables written off are no longer subject to any enforcement activity.

1.8 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 fewer.

1.9 Provisions

A provision is recognised in the Balance Sheet when the Company has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where relevant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.10 Revenue

Service charge income and management fees are recorded as income over time in the year in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Company. The actual service provided during each reporting period is determined using cost incurred as the input method.

1.11 Expenses

Property and contract expenditure is expensed as incurred.

1.12 Impairment

The carrying amounts of the Company's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

1.13 Interest

Interest is accounted for on an accruals basis.

1.14 Income taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the Balance Sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. Accounting policies (continued)

1.15 Intercompany loans

Amounts owed to Group undertakings

Amounts owed to Group undertakings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, amounts 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.

Amounts due from Group undertakings

Amounts due from Group undertakings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, amounts 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 amounts due from Group undertakings. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the amounts due. If collection is expected in more than one year, the balance is presented within non-current assets.

In determining the expected credit losses, the Company takes into account any future expectations of likely default events based on the level of capitalisation of the counterparty, which is a fellow subsidiary undertaking of Land Securities Group PLC.

1.16 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 the amortised cost method using the effective interest rate.

1.17 Net pension surplus

Contributions to defined contribution schemes are charged to the income statement as incurred.

The pension obligations arising under the Group's defined benefit pension scheme are measured at discounted present value. The scheme assets are measured at fair value, except annuities which are valued to match the liability or benefit value. The operating and financing costs of the scheme are recognised separately in the income statement. Service costs are spread using the projected unit credit method. Past service costs are recognised immediately in the income statement in the period in which they are identified. Net financing costs are recognised in the period in which they arise, calculated with reference to the discount rate, and are included in finance income or expense on a net basis. Re-measurement gains and losses arising from either experience differing from previous actuarial assumptions, or changes to those assumptions, are recognised immediately in other comprehensive income.

1.18 Share based payments

The cost of granting shares, options over shares and other share-based remuneration to employees and Executive Directors is recognised through the income statement. All awards are equity settled and therefore the fair value is measured at the grant date. Where the awards have non-market related performance criteria, the Company uses the Black-Scholes option valuation model to establish the relevant fair values. Where the awards have Total Shareholder Return (TSR) market related performance criteria, the Company has used the Monte Carlo simulation valuation model to establish the relevant fair values. The resulting values are amortised through the income statement over the vesting period of the awards. For awards with non-market related criteria, the charge is reversed if it appears probable that the performance or service criteria will not be met.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. Accounting policies (continued)

1.19 Dividends

Final div dend 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.

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

2. 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 1.7 and 1.15.

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. 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.

Amendments to IFRS

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the Company. The most significant of these is IFRS 16 Leases (effective for the Company from 1 April 2019). Based on the impact assessment carried out, there are no changes expected as a result of the adoption of this standard]. There will be no net impact on profit attributable to shareholders or the Company's Balance Sheet.

3. Significant accounting judgements and estimates

The Company's significant accounting policies are stated in note 1 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

(a) Amounts due from Group undertakings

The Company is required to judge when there is sufficient objective evidence to require the impairment of amounts due from Group undertakings. It does this by assessing on a forward-looking basis, the expected credit losses associated with its amounts due from Group undertakings. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the amounts due. In determining the expected credit losses, the Company takes into account any future expectations of likely default events based on the level of capitalisation of the counterparty, which is a fellow subsidiary undertaking of Land Securities Group PLC.

(b) Defined Benefit Plans

The cost of the defined benefit pens on plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further detail about pension obligations are given in Note 6.

4. Revenue

	2019	2018
	£000	£000
Management fee income	**76,732**	82,023
Total revenue	**76,732**	82,023

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5. Management and administrative expenses

(a) Directors' remuneration

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

(b) Auditor remuneration

The Group auditor's remuneration is borne by this Company. The proportion of the remuneration which relates to the Company amounts to **£2,500** (2018: £ 2,500). No non-audit services were provided to the Company during the year (2018: £Nil).

(c) Provision for impairment in value

A impairment of **£19,993,000** (2018: reversal of impairment of £21,196,000) in respect of an investment in a subsidiary undertaking has been recognised in the Statement of Comprehensive Income for the year.

	2019 £000	2018 £000
Management and administrative expenses include the following:		
Recharges	**7,803**	7,803
Employee costs	**54,488**	55,217
Depreciation and amortisation of property, plant and equipment and intangible assets	**5,553**	1,087
Auditor's remuneration	**649**	633
Premises overheads	**866**	637
Professional fees	**4,080**	2,295
Other management and administrative expenses	**7,082**	15,660
	80,521	83,332

6. Net pension surplus

	2019 £000	2018 £000
Defined contribution schemes Pension costs for defined contribution schemes are as follows:		
Charge to operating profit	**1,500**	2,452
	1,500	2,452

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Defined benefit scheme

The Pension & Assurance Scheme of the Land Securities Group of Companies (the Scheme) is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Scheme is operated under trust and as such, the Trustees of the Scheme are responsible for operating the Scheme and they have a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme and UK legislation (including trust law). The Trustees and the Land Securities Group Plc and its subsidiaries (the "Group" have the joint power to set the contributions that are paid to the Scheme. On 31 October 2019, the Scheme was closed to future accrual. There is no impact on the value of accrued liabilities as a result of this change.

In setting contributions to the Scheme, the Trustees and the Group are guided by the advice of a qualified independent actuary on the basis of triennial valuations using the projected unit credit method. As the Scheme is closed to new members, the current service cost was expected to increase as a percentage of salary of the Scheme members, under the projected unit credit method, as members approach retirement. A full actuarial valuation of the Scheme was undertaken on 30 June 2018 by the independent actuaries, Hymans Robertson LLP. This valuation was updated to 31 March 2019 using, where required, assumptions prescribed by IAS 19 Employee Benefits. The next full actuarial valuation will be performed as at 30 June 2021.

As a result of the 30 June 2018 valuation, the employer contribution rate remains at **43.1%** of pensionable salary to cover the costs of accruing benefits. It was also agreed that no further deficit contributions were required from the Group. Employee contributions are paid by salary sacrifice, and therefore appear as Group contributions. In the year ended 31 March 2019, employee contributions were **8.0%** (2018: 8.0%) of monthly pensionable salary. The Group expects to make total employee and employer contributions of around **£1m** (2018: £1m) to the Scheme in the year to 31 March 2020.

All death-in-service and incapacity benefits arising during employment are wholly insured. No post-retirement benefits other than pensions are made available to employees of the Group.

	2019	2018
	£000	£000
Analysis of the amounts charged to the income statement		
Current service cost	**900**	1,000
Past service costs	**900**	300
Charge to operating profit	**1,800**	1,300

	2019	2018
	£000	£000
Analysis of amount charged to interest expense		
Interest income on plan assets	**(6,000)**	(5,800)
Interest on defined benefit scheme liabilities	**6,300**	6,200
Net charge to interest expense	**300**	400

Analysis of the amounts recognised in other comprehensive income

	2019	2018
	£000	£000
Analysis of gains and losses		
Net re-measurement losses on scheme assets	**(1,964)**	(4,403)
Net re-measurement gains on scheme liabilities	**3,100**	2,900
Net re-measurement gain/(loss)	**1,136**	(1,503)

	2019	2018
	£000	£000
Cumulative re-measurement losses recognised in other comprehensive income	**(39,164)**	(40,300)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

	2019 %	2019 £m	2018 %	2018 £m
Equities	**17**	**41**	21	50
Bonds - Government	**28**	**66**	24	58
Bonds - Corporate	**7**	**18**	7	17
Insurance contracts	**44**	**105**	47	113
Cash and cash equivalents	**4**	**8**	1	3
Fair value of scheme assets	**100**	**238**	100	241
Fair value of scheme liabilities		**(226)**		(229)
Net pension surplus	**100**	**12**	100	12

In the year ended 31 March 2019, **£8m** (2018: £8m) of benefits were paid to members.

Insurance contracts are annuities which are unquoted assets. All other Scheme assets have quoted prices in active markets. The Scheme assets do not include any directly owned financial instruments issued by the Group. Indirectly owned financial instruments had a fair value of **£nil** (2018: £nil).

The defined benefit scheme liabilities are split **9%** (2018: 11%) in respect of active scheme participants, **24%** (2018: 25%) in respect of deferred scheme participants, and **67%** (2018: 64%) in respect of retirees. The weighted average duration of the defined benefit scheme liabilities at 31 March 2019 is **15.7 years** (2018: 17.4 years).

The assumptions agreed with the Trustees of the Scheme for the triennial valuation at 30 June 2018 have been restated to the assumptions described by IAS 19 Employee Benefits. The major assumptions used in the valuation were (in nominal terms):

	2019 %	2018 %
Rate of increase in pensionable salaries	**3.45**	3.40
Rate of increse in pensionable salaries with no cap	**3.45**	3.35
Rate of increase in pensions with 5% cap	**3.30**	3.25
Discount rate	**2.35**	2.65
Inflation - Retail Price Index	**3.45**	3.35
Inflation - Consumer Price Index	**2.65**	2.25

	2019 Years	2018 Years
The mortality assumptions used in this valuation were:		
Life expectancy at age 60 for current pensioners - Men	**27.4**	31.0
Life expectancy at age 60 for current pensioners - Women	**29.0**	31.3
Life expectancy at age 60 for future pensioners (current age 40) - Men	**29.7**	34.0
Life expectancy at age 60 for future pensioners (current age 40) - Women	**31.5**	33.8

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below. These were calculated using approximate ethods taking into account the duration of the Scheme liabilities.

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Discount rate	Decrease by 0.5%	Increase by £19m
Rate of mortality	Increase by 1 year	Increase by £9m
Rate of inflation	Increase by 0.5%	Increase by £16m

As the above table demonstrates, changes in assumptions can have a significant impact on the Scheme liabilities. The assumptions agreed with the Trustees of the Scheme for the triennial valuation and subsequent interim updates differ from those prescribed by IAS 19, 'Employee Benefits'. Using the assumptions agreed with the Trustees would result in a balance sheet deficit for the Scheme of **£3m** at 31 March 2019, as opposed to a surplus of **£12m**.

In order to reduce risk within the Scheme, **44%** (2018: 47%) of the Scheme assets are invested in annuities that match the liabilities of some pensioners. The assets that the Scheme holds are designed to match a significant proportion of the Scheme liabilities and the Scheme has hedged over **72%** (2018: 72%) of the interest rate risk and **79%** (2018: 79%) of the inflation risk (when measured on a gilts flat discount rate) to which it is exposed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

7. Net interest income/(expense)

	2019 £000	2018 £000
Interest expense		
Other interest payable	-	(2,175)
Interest on amounts owed to Group undertakings	(97,882)	(92,035)
	(97,882)	(94,210)
Interest income		
Net pension interest (Note 6)	300	400
Interest on amounts due from Group undertakings	106,722	91,306
Other interest receivable	439	28
	107,461	91,734
Net interest income/(expense)	9,579	(2,476)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

8. Share based payments

The total cost recognised in the income statement was **£2,356,000** in the year ended 31 March 2019 (2018: £6,082,000). The following table analyses the total cost among each of the relevant schemes, together with number of options outstanding:

	2019 £000	**2019 No. (000)**	2018 £000	2018 No. (000)
Long-Term Incentive Plan	**1,220**	**2,214**	4,662	2,039
Deferred bonus share plan	**492**	**52**	630	47
Share award plan	**43**	**3**	288	19
Executive share option scheme	**293**	**1,806**	216	1,584
Savings related share option schemes	**308**	**4,434**	286	311
	2,356	**8,509**	6,082	4,000

A summary of the main features of each type of plan is given below. The plans have been split into two categories: Executive plans and other plans.

Executive plans:

Long-Term Incentive Plan (LTIP)

The LTIP is open to Executive Directors and Senior Management, with awards made at the discretion of the Remuneration Committee. In addition, other than for Executive Directors, an award of 'matching shares' can be made where the individual acquires shares in Land Securities Group PLC and pledges to hold them for a period of three years. The awards are issued at nil consideration, subject to performance and vesting conditions being met. Awards of LTIP shares and matching shares are subject to the same performance criteria and normally vest after three years. Awards are satisfied by the transfer of existing shares held by the Employee Benefit Trust (EBT). The weighted average share price at the date of vesting during the year was **899p** (2018: 974p). The estimated fair value of awards granted during the year under the scheme was **£3m** (2018: £3m).

Deferred bonus share plan

The Executive Directors' annual bonus is structured in two distinct parts made up of an initial payment and deferred shares. The shares are deferred for one or two years and are not subject to additional performance criteria. Awards are satisfied by the transfer of existing shares held by the EBT at nil consideration. The weighted average share price at the date of vesting during the year was **937p** (2018: 941p). The estimated fair value of awards granted during the year under the scheme was **£nil** (2018: £0.5m).

Other plans:

Executive share option scheme (ESOS)

The 2005 ESOS is open to managers not eligible to participate in the LTIP. Awards are discretionary and are granted over ordinary shares of the Company at the middle market price on the three dealing days immediately preceding the date of grant. Awards normally vest after three years and are not subject to performance conditions. Awards are satisfied by the transfer of shares from the EBT and lapse ten years after the date of grant. The weighted average share price at the date of exercise for awards exercised during the year was **918p** (2018: 1,051p). The estimated fair value of awards granted during the year under the scheme was **£0.3m** (2018: £0.3m).

Savings related share option plan

Under the savings related share option plan, Executive Directors and other eligible employees are invited to make regular monthly contributions into a Sharesave plan operated by Equiniti. On completion of the three- or five-year contract period, ordinary shares in the Company may be purchased at a price based upon the market price at date of invitation less 20% discount. The weighted average share price at the date of exercise for awards exercised during the year was **930p** (2018: 1,032p). The estimated fair value of awards granted during the year under the scheme was **£0.3m** (2018: £0.3m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

	Executive plans * Number of awards		Other plans		Weighted average exercise price	
	2019	2018	**2019**	2018	**2019**	2018
	Number (000)	Number (000)	**Number (000)**	Number (000)	**Pence**	Pence
At the beginning of the year	**2,087**	2,246	**2,040**	1,859	**947**	1,068
Granted	**940**	741	**651**	528	**891**	970
Exercised	**(56)**	(469)	**(36)**	(263)	**-**	-
Lapsed	**(705)**	(431)	**(505)**	(84)	**1,035**	1,142
At 31 March	**2,266**	2,087	**2,150**	2,040	**976**	947
Exercisable at the end of the year	**-**	-	**-**	-	**1,033**	926
	Years	Years	**Years**	Years		
Weighted average remaining contractual life	**1**	1	**6**	6		

* Executive plans are granted at nil consideration

The number of share awards outstanding for the Group by range of exercise prices is shown below:

Exercise price range (pence)	**Weighted average exercise price 2019 Pence**	**Number of awards 2019 000**	**Weighted average remaining contractual life 2019 Years**	Weighted average exercise price 2018 Pence	Number of awards 2018 000	Weighted average remaining contractual life 2018 Years
Nil	**-**	**2,266**	**1**	-	2,091	1
400 - 599	**529**	**38**	**1**	528	62	2
600 - 799	**763**	**260**	**3**	775	69	4
800 - 999	**899**	**780**	**6**	885	461	3
1,000 - 1,199	**1,022**	**871**	**7**	1,036	1,049	7
1,200 - 1,399	**1,328**	**200**	**6**	1,328	227	7

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Fair value inputs for awards with non-market performance conditions

Fair values are calculated using the Black-Scholes option pricing model for awards with non-market performance conditions. The weighted average inputs into this model for the grants under each plan in the financial year are as follows:

	Long-Term Incentive Plan		Deferred bonus share plan		2005 ESOS		Savings related share option plan	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Share price at grant date	**953p**	1,032p	**953p**	1,029p	**953p**	1,029p	**948p**	1,074p
Exercise price	**n/a**	n/a	**n/a**	n/a	**953p**	1,029p	**759p**	859p
Expected volatility	**20%**	20%	**20%**	20%	**20%**	20%	**20%**	20%
Expected life	**3 years**	3 years	**1 year**	1 year	**3 years**	3 years	**3 to 5 years**	3 to 5 years
Risk-free rate	**0.75%**	0.27%	**0.68%**	0.25%	**0.75%**	0.27%	**0.75% to 1.04%**	0.27% to 0.50%
Expected dividend yield	**4.64%**	3.74%	**nil**	nil	**4.64%**	3.75%	**4.66%**	3.59%

Expected volatility is determined by calculating the historical volatility of the Group's share price over the previous ten years. The expected life used in the model has been determined based upon management's best estimate for the effects of non-transferability, vesting/exercise restrictions and behavioural considerations. Risk-free rate is the yield at the date of the grant of an award on a gilt-edged stock with a redemption date equal to the anticipated vesting of that award.

Fair value inputs for awards with market performance conditions

Fair values are calculated using the Monte Carlo simulation option pricing model for awards with market performance conditions. Awards made under the 2005 LTIP which were granted after 31 March 2009 include a TSR condition, which is a market-based condition. The weighted average inputs into this model for the scheme are as follows:

	Share price at date of grant		Exercise price		Expected volatility - Group		Expected volatility - index of comparator companies		Correlation - Group vs. index	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Long-term incentive plan	**953p**	1,032p	**n/a**	n/a	**20%**	20%	**20%**	20%	**85%**	85%

9. Income tax

	2019	2018
	£000	£000
Corporation tax		
Income tax on loss/(profit) for the year	**2,071**	(1,379)
Total income tax charge/(credit) in the Statement of Comprehensive Income	**2,071**	(1,379)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

9. Income tax (continued)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of **19%**

(2018 - 19%) as set out below:

	2019 £000	2018 £000
(Loss)/profit before tax	**(6,457)**	17,411
(Loss)/profit before tax multiplied by UK corporation tax rate	**(1,227)**	3,308
Effects of:		
Capital allowances	-	(409)
Capitalised interest and other timing differences	**56**	1
Expenses not deductible for tax purposes	**3,047**	123
Depreciation	**195**	207
Adjustments in respect of prior years	-	(582)
Non-taxable income	-	(4,027)
Total tax charge/(credit) for the year	**2,071**	(1,379)

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 business 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.

10. Investment in subsidiary undertakings

	2019 £000	2018 £000
At the beginning of the financial year	**1,035**	50
Acquisitions	-	985
At 31 March	**1,035**	1,035

The directors believe that the carrying value of the investment is supported by the fair value of the subsidiaries.

The subsidiary undertakings of the Company are:

Name	Class of shares / units owned	Holding percentage	Principal country of incorporation	Nature of business
LS Fenchurch Development Management Limited	£1 Ordinary shares	100%	England	Development managemet
LS Millshaw Limited	£1 Ordinary shares	100%	England	Investment
LS Park House Development Management Limited	£1 Ordinary shares	100%	England	Dormant
LS Portland House Developer Limited	£1 Ordinary shares	100%	England	Dormant
LS 21 Moorfields Development Management Limited	£1 Ordinary shares	100%	England	Dormant
Arundel Great Court Development Management Limited	£1 Ordinary shares	100%	England	Dormant
X-Leisure Limited	£1 A shares	100%	England	Property management
	£1 B shares			

All subsidiary undertakings are registered at 100 Victoria Street, London, SW1E 5JL.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

11. Tangible fixed assets

	Other fixed assets
	£000
Cost or valuation	
At 1 April 2018	**9,099**
Additions	**2,386**
At 31 March 2019	**11,485**
Depreciation	
At 1 April 2018	**5,331**
Charge for the year on owned assets	**3,192**
At 31 March 2019	**8,523**
Net book value	
At 31 March 2019	**2,962**
At 31 March 2018	3,768

12. Intangible assets

	2019	2018
	£000	£000
At 1 April	**5,378**	5,969
Capital expenditure	**3,639**	1,576
Amortisation	**(2,361)**	(2,167)
At 31 March	**6,656**	5,378

13. Trade and other receivables

	2019	2018
	£000	£000
Trade receivables	**1,590**	420
Less: allowance for doubtful accounts	**(53)**	(53)
Total current trade receivables	**1,537**	367
Other receivables	**16,977**	17,406
Prepayments	**23,302**	22,809
Total current trade and other receivables	**41,816**	40,582

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

14. Amounts due from Group undertakings

	2019 £000	2018 £000
Amounts due from Group undertakings - fellow subsidiaries	**2,235,606**	2,859,252
Total amounts due from Group undertakings	**2,235,606**	2,859,252

The unsecured amounts due from Group undertakings are repayable on demand with no fixed repayment date. Interest is charged at **4.1%** per annum (2018: 4.3%).

15. Trade and other payables

	2019 £000	2018 £000
Trade and other payables	**4,589**	2,168
Other payables	**932**	1,014
Accruals	**24,543**	15,879
Deferred income	**-**	24
Current tax liabilities	**1,202**	-
Social security and other taxes	**1,685**	1,893
Total current trade and other payables	**32,951**	20,978

Capital payables represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year end or for work completed on investment properties but not paid for at the year end. Deferred income principally relates to rents received in advance.

16. Amounts owed to Group undertakings

	2019 £000	2018 £000
Amounts owed to Group undertakings - fellow subsidiaries	**2,216,828**	2,877,671
Total amounts owed to Group undertakings	**2,216,828**	2,877,671

The unsecured amounts owed to Group undertakings are repayable on demand with no fixed repayment date. Interest is charged at **4.1%** per annum (2018: 4.3%).

17. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	**19,529**	51,979
At 31 March	**19,529**	51,979

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

18. Share capital

	Authorised and issued		Allotted and fully paid	
	2019	2018	**2019**	2018
	Number	Number	**£000**	£000
Ordinary shares of £1.00 each	**321,000,003**	321,000,003	**321,000**	321,000
	321,000,003	321,000,003	**321,000**	321,000

19. Deferred tax liability

	2019	2018
	£000	£000
At 1 April	**(2,023)**	(2,312)
Deferred tax on pension surplus movement	**(68)**	289
	(2,091)	(2,023)

20. Parent company

The immediate parent company is Land Securities Property Holdings Limited.

The ultimate parent company and controlling party at 31 March 2019 was Land Securities Group PLC, which is registered in England and Wales. This is the largest 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, 100 Victoria Street, London, SW1E 5JL. This is the largest and smallest Group to include these accounts in its consolidated financial statements.