

LAND SECURITIES CAPITAL MARKETS PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

LAND SECURITIES CAPITAL MARKETS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors of Land Securities Capital Markets PLC (the 'Company') present their Strategic Report with audited financial statements for the year ended 31 March 2020.

Results for the year

The results are set out in the Statement of Comprehensive Income on page 10.

Review of the business

The Company has **£4.3bn** (2019: £4.5bn) of secured medium term notes (MTNs) in issue under the Multicurrency Programme for the issuance of notes. The MTNs are secured on a fixed and floating pool of assets held by group companies (the 'Security Group') giving debt investors security over a pool of investment: properties valued at **£12.1bn** at 31 March 2020 (2019: £13.2bn).

During the year, Land Securities Group PLC and its subsidiaries ('Land Securities Group' or the 'Group') purchased **£196m** of its MTNs for a premium of **£59m**. The Group repurchased **£9m** of its A4 MTN due in 2026, **£91m** of its A5 MTN due in 2027, **£11m** of its A6 MTN due in 2029, **£75m** of its A7 MTN due in 2032, **£4m** of its A10 MTN due in 2025 and **£6m** of its A11 MTN due in 2036.

The Company reclassified **£196m** of its MTNs as non-current amounts due to Group undertakings as a result of the repurchases. Further details are set out in note 10 to the financial statements.

Key performance indicators

The directors assess the performance of the Company by reference to successfully raising external debt capital.

Principal risks and uncertainties

The principal risk facing the Company is that of credit risk whereby the intercompany loans issued to the Land Securities Group become irrecoverable. The solvency of the Land Securities Group is considered strong and therefore credit risk is deemed to be low.

Financial risk management

The Company's debt financing exposes it to a variety of financial risks that include the effects of changes in debt market prices, liquidity and interest rates.

The Company's principal financial assets are cash, loans due from Group undertakings and trade and other receivables and are deemed to have low credit risk.

The Company has negligible interest rate risk as all notes have fixed interest.

The Company actively maintains a mixture of notes with final maturities between 2025 and 2059. Any short-term liquidity requirement is minimal and funding requirements can be covered by committed facilities held by other group companies.

The fair value of the Company's borrowings varies according to changes in the market cost of borrowing.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Group's Annual Report, which does not form part of this report.

LAND SECURITIES CAPITAL MARKETS PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Section 172(1) statement

The Company's ultimate parent company is Land Securities Group PLC which indirectly holds 100% of the ordinary share capital of the Company (refer note 14). The Company's framework in respect of requirements under section 172(1) of the Companies Act is applied through the Land Securities Group's processes and policies, which place stakeholders at the forefront of the Directors' decision making. Details of the Group's framework with respect to interests of customers, communities, employees, partners, suppliers and investors can be found in the consolidated financial statements of Land Securities Group PLC for the year ended 31 March 2020, available on the Group's website, www.landsec.com.

At a Company level, the Directors take the interests of stakeholders, namely the Group as the Company's customer and investor and the community in which the Company operates, into account when making relevant decisions, ensuring regular and clear lines of communication between the Company and the Group. The relevance of each stakeholder group may increase or decrease by reference to the issue in question, so the Directors seek to understand the needs and priorities of each group during its discussions. This, together with the combination of the consideration of long-term consequences of decisions and the maintenance of the Group's reputation for high standards of business conduct, is integral to the way the Directors operate. The Company Secretary plays a key role in ensuring that stakeholders' interests are fully considered and addressed during the course of the Directors' discussions.

Registered Office
100 Victoria Street
London
SW1E 5JL

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

E Miles
Company Secretary

08 June 2020

Registered and domiciled in England and Wales

Registered number: 05193511

LAND SECURITIES CAPITAL MARKETS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors of Land Securities Capital Markets PLC (the 'Company') present their report and the financial statements of the for the year ended 31 March 2020.

Directors' responsibilities statement

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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Director's engagement statement

Details of how Directors have engaged with key stakeholders of the Company have been disclosed in the Strategic Report.

Principal activity, review of the business and future developments

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

Dividend

The directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: £Nil) in addition to the interim dividend of **£712,000** (2019: £Nil) paid on 25 September 2019, making a total dividend for the year of **£712,000** (2019: £Nil).

Corporate governance

The Company's ultimate parent company is Land Securities Group PLC which indirectly holds 100% of the ordinary share capital of the Company (refer note 14). The Company's risk management framework is applied through the Land Securities Group's Risk Management Process, which covers the risk management and internal control system. Details of the Process can be found in the consolidated financial statements for the year ended 31 March 2020, 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.

Going concern

Given the Company's operating model in which it issues external debt and lends the debt to other subsidiary companies of Land Securities Group PLC, the Company's ability to meet its future liabilities is dependent on the payment of interest income or repayment of loans by other Group undertakings. This is ultimately dependent on the financial performance and position of the Group as a whole. The directors have carried out a review, including consideration of appropriate forecasts, which indicate that the Company will have adequate resources to continue to trade for the foreseeable future based on the ongoing liquidity of the Group. At a Group level, considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Further stress testing involving downside scenarios has been carried out to ensure the Group has sufficient cash resources to continue in operation for at least the next 12 months, considering deterioration in cash collections as a result of Covid-19. Based on this, together with available market information and the Directors' knowledge and experience of the Company, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 31 March 2020.

LAND SECURITIES CAPITAL MARKETS PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

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
M R Worthington
T J Ashby
R C Futter
R Shearer (appointed 15 July 2019)
D J Heaford (resigned 15 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 objective and policies are disclosed in the Strategic Report and in note 12.

Disclosure of information to auditor

In the case of each director in the office at the date the Director' Report is approved, the following applies:

- so far as they are 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.

Registered Office
100 Victoria Street
London
SW1E 5JL

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

E Miles
Company Secretary

08 June 2020

Registered and domiciled in England and Wales
Registered number: 05193511

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAND SECURITIES CAPITAL MARKETS PLC

Opinion

We have audited the financial statements of Land Securities Capital Markets Plc for the year ended 31 March 2020 which comprise of the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 14 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	-	The recoverability of loans due from Group undertakings and the related impact on going concern.
Materiality	-	Overall materiality of £21.5m which represents 0.5% of the total assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAND SECURITIES CAPITAL MARKETS PLC (CONTINUED)

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p>Recoverability of loans due from Group undertakings and the related impact on the going concern basis</p> <p>2020: £nil impairment recognised on total balance of £4.3bn (2019: £nil impairment recognised on a total balance of £4.5bn).</p> <p>The ability of the Company to successfully raise capital may be influenced by the recoverability of loans advanced to fellow Group undertakings. This may place pressure on Company to distort the assessment of impairment.</p> <p>Further, the primary driver of recoverability of these loans is the financial position and performance of the wider Land Securities Group PLC (the "Group"). The ability of the counterparty entities to make interest and principal repayments as required is dependent on the Group's available liquidity, including access to borrowing facilities, and its ability to continue to operate within its financial covenants.</p> <p>Refer to Note 1 in the basis of preparation that considers the factors affecting the ability of the Company to continue as a going concern. This includes the impact of Covid-19 on the Group and its ability to continue to make interest and principal payments in support of the recoverability of loans due to the Company so that the Company can meet its future liabilities and continue as a going concern.</p>	<p>Our audit procedures around the recoverability of loans due from Group undertakings and the related impact on the going concern basis include:</p> <p>We assessed the financial viability of each loan counterparty with reference to its net assets and the intercompany agreements it has with the rest of the Land Securities Group which support the borrower's ability to repay its debt.</p> <p>We also compared the loan balance against the valuation of the properties within the Security Group of companies which the external borrowings, and in turn the loans due from Group undertakings, are secured against.</p> <p>We obtained an understanding of the process followed by the Company to prepare the Company's going concern assessment, including identifying and assessing the impact of Covid-19. We also understood the inherent link to the wider Group going concern assessment. The following are the procedures we performed over that Group assessment which supports the Company assessment:</p> <ul style="list-style-type: none"> • We obtained the Group going concern assessment including the base case cash flow and liquidity covering the going concern period and the additional scenarios prepared. We tested the mathematical accuracy of the models • We challenged the appropriateness of those forecasts by assessing historical forecasting accuracy, challenging the Group's consideration of downside sensitivity analysis and applying further sensitivities where appropriate to stress test the impact on liquidity • We performed testing to evaluate whether the covenant requirements of the debt would be breached under either the base case or the stress scenarios. We reperformed additional reverse stress testing on key assumptions and considered the likelihood of outcomes including controllable mitigating actions over and above the scenarios modelled. In doing so, we considered the perspective of our chartered surveyors • We obtained evidence of the agreements with lenders setting out terms and conditions of lending including covenant compliance in respect of the Security Group <p>We reviewed minutes of board meetings, for both the Company and the Group with a view to identify any matters which may impact the going concern assessment.</p> <p>We reviewed the performance of the Group in the period since the Group accounts were signed to ensure the key assumptions and judgements remained valid.</p>	<p>Based on the audit procedures performed, the wider Group is adequately funded to support the recoverability of the loans due to the Company from Group undertakings in accordance with IFRS 9 Financial Instruments.</p> <p>We concluded there was no impairment of loans due from Group undertakings and that the ability of the Company to continue as a going concern is adequately supported by the recoverability of these loans and the interest receivable on them.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAND SECURITIES CAPITAL MARKETS PLC (CONTINUED)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £21.5 million (2019: £22.9 million), which is 0.5% (2019: 0.5%) of total assets. We believe that total assets provide us with the most appropriate basis for determining overall materiality given that the key users of the Company's financial statements are primarily focused on the recoverability of assets to support loan repayment, specifically the loans due from Group undertakings which comprise around 99% of the Company's total assets (2019: 99%).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £16.1m (2019: £17.1m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected. Our objective in adopting this approach is to confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with Company that we would report to them all uncorrected audit differences in excess of £1.1m (2019: £1.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 CAPITAL MARKETS PLC (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 or 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 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and Company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101, the Companies Act 2006, UK Corporate Governance Code and the Irish Stock exchange listing rules).
- We understood how the Company is complying with those frameworks through enquiry with the Company and by identifying the Company's policies and procedures regarding compliance with laws and regulations. We also identified those members of the Company who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those Charged with governance.
- As part of audit of Land Securities Group PLC, we assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by reviewing the Companies risk register, enquiry with the Company and the Audit Committee of the Group during the planning and execution phases of the Group audit. We relied on those procedures performed during the Group audit and followed up with enquiries of Company and the Group on any new developments during the statutory audit of the Company.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved;
 - Inquiry of members of senior management, and when appropriate, those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements.
 - Reading minutes of meetings of those charged with governance.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAND SECURITIES CAPITAL MARKETS PLC (CONTINUED)

Other matters we are required to address

- We were appointed by the Company on 18 July 2013 to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering all year ends between 31 March 2014 and 31 March 2020. Our audit engagement letter was refreshed on 22 October 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kathryn Barrow (Senior statutory auditor)

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

London

09 June 2020

LAND SECURITIES CAPITAL MARKETS PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	2019 £000
Interest income	5	185,466	185,482
Interest expense	5	(185,010)	(185,188)
Profit before tax		456	294
Taxation	6	(87)	(56)
Profit and total comprehensive income for the financial year		369	238

There were no recognised gains or losses for 2020 or 2019 other than those included in the statement of comprehensive income.

All amounts are derived from continuing activities.

LAND SECURITIES CAPITAL MARKETS PLC
REGISTERED NUMBER: 05193511

BALANCE SHEET
AS AT 31 MARCH 2020

	Notes	2020 £000	2019 £000
Non-current assets			
Loans due from Group undertakings	/	4,285,492	4,539,241
		<u>4,285,492</u>	<u>4,539,241</u>
Current assets			
Trade and other receivables	8	11,164	42,435
Cash at bank and in hand		61	1,312
		<u>11,225</u>	<u>43,747</u>
Current liabilities			
Trade and other payables	9	(10,699)	(42,878)
		<u>(10,699)</u>	<u>(42,878)</u>
Non-current liabilities			
Borrowings	10	(2,349,954)	(2,591,320)
Loans due to Group undertakings	10	(1,935,538)	(1,947,921)
		<u>(4,285,492)</u>	<u>(4,539,241)</u>
Net assets		<u>526</u>	<u>869</u>
Capital and reserves			
Share capital	11	50	50
Retained earnings		476	819
Total equity		<u>526</u>	<u>869</u>

The financial statements on pages 10 to 18 were approved by the Board of Directors and were signed on its behalf by:

M R Wood
Director

08 June 2020

LAND SECURITIES CAPITAL MARKETS PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 April 2018	50	581	631
Total comprehensive income for the financial year	-	238	238
At 31 March 2019	50	819	869
Total comprehensive income for the financial year	-	369	369
Dividends	-	(712)	(712)
At 31 March 2020	50	476	526

LAND SECURITIES CAPITAL MARKETS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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.

Land Securities Capital Markets PLC (the 'Company') is a public company limited by shares and is incorporated, domiciled and registered in England and Wales (Registered number: 05193511). The nature of the Company's operations is set out in the Strategic Report on page 1. The results of the Company are included in the consolidated financial statements of Land Securities Group PLC 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 2020. The financial statements are prepared in Pounds Sterling (£) and are rounded to the nearest thousand pounds (£000).

Given the Company's operating model in which it issues external debt and lends the debt to other subsidiary companies of Land Securities Group PLC, the Company's ability to meet its future liabilities is dependent on the payment of interest income or repayment of loans by other Group undertakings. This is ultimately dependent on the financial performance and position of the Group as a whole. The directors have carried out a review, including consideration of appropriate forecasts, which indicate that the Company will have adequate resources to continue to trade for the foreseeable future based on the ongoing liquidity of the Group. At a Group level, considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Further stress testing involving downside scenarios has been carried out to ensure the Group has sufficient cash resources to continue in operation for at least the next 12 months, considering deterioration in cash collections as a result of Covid-19. Based on this, together with available market information and the Directors' knowledge and experience of the Company, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 31 March 2020.

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101 for financial institutions:

- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- 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

1.3 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.

1.4 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.

1.5 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.

LAND SECURITIES CAPITAL MARKETS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies (continued)

1.6 Interest receivable and interest payable

Interest payable is recognised on an accruals basis by applying the effective interest rate which takes account of the amortisation of finance costs over the term of the loan notes.

Intercompany interest receivable and interest payable are recognised on an accruals basis on the corresponding intercompany loan by applying the effective interest rate which takes account of the amortisation of finance income or finance costs over the term of the loans to which they relate.

1.7 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.

1.8 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.

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. A number of new standards, amendments to standards and interpretations apply for the first time in the current year but either they are not relevant to Company or do not have a significant impact on the Company's financial statements.

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

Loans due from Group undertakings

The Company is required to judge when there is sufficient objective evidence to require the impairment of amounts due from Group undertakings. It does this by assessing on a forward-looking basis, the expected credit losses associated with its amounts due from Group undertakings. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the amounts due. In determining the expected credit losses, the Company takes into account any future expectations of likely default events based on the level of capitalisation of the counterparty, which is a fellow subsidiary undertaking of Land Securities Group PLC. As a result, the value of any provision for impairment is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate, particularly in the year ended 31 March 2020, with the unprecedented uncertainty caused by Covid-19.

4. Management and administrative expenses

(a) Management services

The Company had no employees during the year (2019: None).

(b) Directors' remuneration

The Group's directors' emoluments are borne by fellow Group subsidiary, Land Securities Properties Limited. The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company (2019: £Nil).

(c) Auditor remuneration

The Group auditor's remuneration is borne by Land Securities Properties Limited. The proportion of the remuneration which relates to the Company amounts to **£1,700** (2019: £1,700). No non-audit services were provided to the Company during the year (2019: £Nil).

LAND SECURITIES CAPITAL MARKETS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

5. Net interest income

	2020 £000	2019 £000
Interest expense		
Bond and debenture debt	(80,611)	(82,582)
Interest payable on loans owed to Group undertakings	(104,399)	(102,606)
	<u>(185,010)</u>	<u>(185,188)</u>
Interest income		
Interest receivable on loans due from Group undertakings	185,466	185,482
	<u>185,466</u>	<u>185,482</u>
Net interest income	<u><u>456</u></u>	<u><u>294</u></u>

6. Income tax

	2020 £000	2019 £000
Corporation tax		
Income tax on profit for the year	87	56
Total income tax charge in the Statement of Comprehensive Income	<u><u>87</u></u>	<u><u>56</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of **19%**

(2019 - 19%) as set out below:

	2020 £000	2019 £000
Profit before tax	<u><u>456</u></u>	<u><u>294</u></u>
Profit before tax multiplied by UK corporation tax rate	<u>87</u>	<u>56</u>
Total income tax charge in the Statement of Comprehensive Income (as above)	<u><u>87</u></u>	<u><u>56</u></u>

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.

LAND SECURITIES CAPITAL MARKETS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. Loans due from Group undertakings

	2020 £000	2019 £000
Loans due from Group undertakings - fellow subsidiary	4,285,492	4,539,241
Total loans due from Group undertakings	4,285,492	4,539,241

The unsecured loans due from group undertakings is repayable when the note it relates to is repaid. The terms and conditions of loans due from Group undertakings are the same as the non-current loans due to Group undertakings and medium-term notes with the exception of a slight difference in terms of interest that are considered to be insignificant (i.e. an additional 0.01%).

Therefore, it is considered that the fair value of loans due from Group undertakings, **£5,019.9m** (2019: £5,194.1m), is the same as the fair value of non-current loans and medium-term notes (note 10).

8. Trade and other receivables

	2020 £000	2019 £000
Accrued interest on intercompany loans - fellow subsidiary	11,155	42,406
Current tax assets	-	29
Amounts due from Group undertakings - fellow subsidiary	9	-
Total trade and other receivables	11,164	42,435

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

9. Trade and other payables

	2020 £000	2019 £000
Accrued interest on non-current loans owed to Group undertakings - fellow subsidiary	6,532	29,283
Accrued interest on non-current borrowings	4,167	13,123
Amounts due to Group undertakings - fellow subsidiary	-	472
Total trade and other payables	10,699	42,878

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

LAND SECURITIES CAPITAL MARKETS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

10. Borrowings

		2020			2019		
	Effective	Nominal/	Fair value	Book value	Nominal/	Fair value	Book value
	interest rate	notional value			notional value		
	%	£000	£000	£000	£000	£000	£000
Non-current borrowings							
A3 5.425% MTN due 2022	5.5	-	-	-	46,498	48,311	46,475
A10 4.875% MTN due 2025	5.0	9,862	11,144	9,827	13,500	15,437	13,440
A12 1.974% MTN due 2026	2.0	400,000	405,921	399,322	400,000	405,412	399,153
A4 5.391% MTN due 2026	5.4	17,046	19,731	17,020	25,393	29,781	25,347
A5 5.391% MTN due 2027	5.4	94,592	113,041	94,411	186,331	224,085	185,915
A6 5.376% MTN due 2029	5.4	65,193	83,921	65,009	76,461	97,314	76,224
A16 2.375% MTN due 2029	2.5	350,000	365,711	347,237	350,000	361,932	346,880
A13 2.399% MTN due 2031	2.4	300,000	313,947	299,195	300,000	309,965	299,115
A7 5.396% MTN due 2032	5.4	80,623	111,477	80,310	155,796	208,730	155,145
A11 5.125% MTN due 2036	5.1	50,014	70,881	49,198	56,391	75,805	55,554
A14 2.625% MTN due 2039	2.6	500,000	521,210	493,494	500,000	507,980	493,205
A15 2.750% MTN due 2059	2.7	500,000	541,911	494,931	500,000	515,065	494,855
Total borrowings		2,367,330	2,558,917	2,349,954	2,610,370	2,799,824	2,591,320
Non-current loans due to Group undertakings – fellow subsidiary							
A3 5.425% MTN due 2022	5.5	-	-	-	208,830	216,972	208,752
A10 4.875% MTN due 2025	5.0	290,138	327,850	289,266	286,500	327,607	285,390
A4 5.391% MTN due 2026	5.4	193,629	224,131	193,342	185,282	217,302	184,945
A5 5.391% MTN due 2027	5.4	513,356	613,511	512,375	421,893	507,377	420,945
A6 5.376% MTN due 2029	5.4	252,064	324,461	251,354	240,796	306,465	240,044
A7 5.396% MTN due 2032	5.4	241,004	333,231	240,063	165,845	222,194	165,157
A11 5.125% MTN due 2036	5.1	449,986	637,747	449,138	443,609	596,357	442,690
Total non-current loans due to Group undertakings		1,940,177	2,460,945	1,935,538	1,952,755	2,394,277	1,947,927

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

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

	2020	2019
	£000	£000
Within one year	169,072	438,213
One to five years	2,151,599	1,577,894
Over five years	3,806,789	4,549,985
	6,127,460	6,566,092

Medium-term notes (MTNs)

The MTNs are secured on the fixed and floating pool of assets held by Group companies (the 'Security Group'). Debt investors benefit from security over a pool of investment properties, development properties and the Group's investment in the X-Leisure Fund, Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership, in total valued at **£12.1bn** at 31 March 2020 (31 March 2019: £13.2bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. The interest rate of each MTN is fixed until the expected maturity, being two years before the legal maturity date for each MTN, whereupon the interest rate for the last two years may either become floating on a LIBOR basis plus an increased margin (relative to that at the time of issue), or subject to a fixed coupon uplift, depending on the terms and conditions of the specific notes. The effective interest rate is based on the coupon paid and includes the amortisation of issue costs. The MTNs are listed on the Irish Stock Exchange and their fair values are based on their respective market prices. Management monitors the key covenants attached to the Security Group on a monthly basis. These covenants have been met during the financial year and up to the date of approval of the financial statements.

During the year, Land Securities Group PLC and its subsidiaries purchased **£196m** (2019: £8.4m) of its MTNs for a premium of **£59m** (2019: £2.1m). The Group repurchased **£9m** of its A4 MTN due in 2026, **£91m** of its A5 MTN due in 2027, **£11m** of its A6 MTN due in 2029, **£75m** of its A7 MTN due in 2032, **£4m** of its A10 MTN due in 2025 and **£6m** of its A11 MTN due in 2036.

The Company reclassified **£196m** (2019: £7.7m) of its MTNs as non-current amounts due to Group undertakings as a result of the repurchases. These were reclassified at their outstanding carrying amounts and these MTNs are now held by a fellow subsidiary within the Group. None of the repurchased MTNs were cancelled during the period (2019: £0.7m).

LAND SECURITIES CAPITAL MARKETS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

10. Borrowings (continued)

Valuation hierarchy

The fair value of the MTNs is based on values using unadjusted quoted prices in active markets and therefore falls within level 1 of the valuation hierarchy, as defined by IFRS 13. For all other financial instruments, the carrying value in the balance sheet approximate their fair values.

11. Share capital

	Authorised and issued		Allotted and fully paid	
	2020	2019	2020	2019
	Number	Number	£000	£000
Ordinary shares of £1.00 each	50,000	50,000	50	50
	<u>50,000</u>	<u>50,000</u>	<u>50</u>	<u>50</u>

12. Capital and financial risk management

Capital management

The Company considers its capital to constitute Shareholder's capital and non-current loans and borrowings. The primary objective of the Company's capital management is to ensure that Company's commitments in relation to its loans and borrowings are met on a timely basis. For this purpose, the Company has entered into an agreement with another related party to ensure sufficient funds are available to meet the external obligations when these arise.

Financial risk management

Financial risk factors

The Company's debt financing exposes it to a variety of financial risks that include the effects of changes in debt market prices, liquidity and interest rates.

Credit risk

The Company's principal financial assets are cash, loans due from Group undertakings and trade and other receivables. The solvency of the Land Securities Group is considered strong and therefore credit risk is deemed to be low.

Interest rate risk

The Company has negligible interest rate risk as all MTNs have fixed interest. Specific interest rate-hedges are also used by the Company from time to time to fix the interest rate exposure on the Group's debt.

Liquidity risk

The Company actively maintains a mixture of MTNs with final maturities between 2025 and 2059. Any short-term liquidity requirement is minimal and funding requirements can be covered by committed facilities held by other Group companies. The Company's MTNs are listed on the Irish Stock Exchange.

Foreign currency risk

All assets and liabilities held by the Company are denominated in pound sterling therefore there is no exposure to foreign currency risk at 31 March 2020 and 31 March 2019.

Sensitivity analysis

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

13. Related party transactions

The Company is a wholly owned subsidiary of Land Securities Group PLC and has taken advantage of the exemption provided in FRS 101 not to make disclosure of transactions with other wholly owned subsidiaries.

The Company did not have any transactions with Key Management Personnel during the year ended 31 March 2020 (2019: £Nil).

14. Parent company

The immediate parent company is Land Securities PLC.

The ultimate parent company and controlling party at 31 March 2020 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 2020 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.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.