

Registered Number 5193511

LAND SECURITIES CAPITAL MARKETS PLC  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

## Strategic Report for the year ended 31 March 2016

The directors present their strategic report with audited financial statements of the Company for the year ended 31 March 2016.

### RESULTS FOR THE YEAR

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

### REVIEW OF THE BUSINESS

The Company has continued its business of acting as a funding vehicle for Land Securities Group PLC and its subsidiaries ("the Land Securities Group" or "the Group"). No changes in the Company's principal activity are anticipated in the foreseeable future.

The Company has £2.5bn (2015: £2.9bn) of secured medium-term notes in issue under the Multicurrency Programme for the issuance of notes. The notes are secured on a fixed and floating pool of assets held by group companies ("The Security Group") giving debt investors security over a pool of investment properties valued at £12.6bn at 31 March 2016 (2015: £12.3bn).

As part of the Group's wider strategy to reduce its weighted average cost of debt, on 22 February 2016, the directors gave notice to redeem the £400m A8 bonds due to mature in November 2017, which paid a 4.875% coupon. Cash settlement was made on 29 March 2016. A premium to par of £26.2m was payable on redemption, which reflects future interest coupon savings of £31.3m.

### 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, therefore credit risk is deemed to be negligible.

### FINANCIAL RISK MANAGEMENT

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

The Company's principal financial assets are cash and inter-company loans; it therefore has negligible credit risk. The Company's notes are listed on the Irish Stock Exchange

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

The Company actively maintains a mixture of notes with final maturities between 2022 and 2036. 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



By order of the Board  
M Arnaouti, for and on behalf of LS Company Secretaries Limited  
Company Secretary  
28 July 2016

Registered Office  
5 Strand  
London  
WC2N 5AF

Registered in England and Wales  
Registered number: 5193511

## Directors' Report for the year ended 31 March 2016

The directors present their report with audited financial statements of the Company for the year ended 31 March 2016.

### PRINCIPAL ACTIVITY

The Company operates primarily as a funding vehicle for Land Securities Group PLC and its subsidiaries. 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 2016 (2015: £Nil) in addition to the interim dividend of £Nil per share creating a distribution of £Nil (2015: £300,000).

### CORPORATE GOVERNANCE

The Company is a wholly owned subsidiary of Land Securities Group PLC ("Land Securities Group") which beneficially 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 2016, available on the Group's website.

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

### POST BALANCE SHEET EVENTS

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

### GOING CONCERN

The directors believe that preparing the accounts on the going concern basis is appropriate due to a net current asset and net asset position as at 31 March 2016 and projected positive future cash flows for at least one year after these financial statements are signed.

### DIRECTORS

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

M R Wood	
M F Greenslade	
C M Gill	(Resigned 14 July 2016)
M P Cadwaladr	
M Arnaouti	(Appointed 4 August 2015)
M R Worthington	(Appointed 1 July 2016)

### INDEMNITY

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

**Directors' Report for the year ended 31 March 2016 (continued)****STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR**

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

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

Registered Office  
5 Strand  
London  
WC2N 5AF



By order of the Board  
M Arnaouti, for and on behalf of LS Company Secretaries Limited  
Company Secretary  
28 July 2016

Registered and domiciled in England and Wales  
Registered number: 5193511

**Directors' Responsibilities for the year ended 31 March 2016****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Independent Auditor's Report to the Members of Land Securities Capital Markets PLC for the year ended 31 March 2016

We have audited the financial statements of Land Securities Capital Markets Plc for the year ended 31 March 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

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

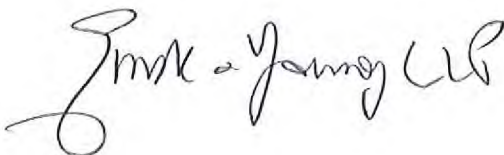
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

### Matters on which we are required to report by exception

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

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



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

28 July 2016

<b>Income Statement for the year ended 31 March 2016</b>
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	Notes	2016 £'000	2015 £'000
Interest income	5	180,132	153,541
Interest expense	5	(179,825)	(153,250)
Profit before tax		307	291
Income tax	7	(61)	(61)
Profit for the financial year		<u>246</u>	<u>230</u>

<b>Statement of comprehensive income for the year ended 31 March 2016</b>
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	2016 £'000	2015 £'000
Profit for the financial year	246	230
Other comprehensive income for the financial year	-	-
Total comprehensive income for the financial year	<u>246</u>	<u>230</u>

All amounts derive from continuing activities.

## Balance Sheet as at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
<b>Non-current assets</b>			
Loans receivable	8	2,505,026	2,903,600
<b>Total non-current assets</b>		<u>2,505,026</u>	<u>2,903,600</u>
<b>Current assets</b>			
Trade and other receivables	9	7,713	15,515
Cash and cash equivalents		1,593	1,586
<b>Total current assets</b>		<u>9,306</u>	<u>17,101</u>
<b>Total assets</b>		<u>2,514,332</u>	<u>2,920,701</u>
<b>Current liabilities</b>			
Trade and other payables	10	(8,776)	(16,817)
<b>Total current liabilities</b>		<u>(8,776)</u>	<u>(16,817)</u>
<b>Non-current liabilities</b>			
Borrowings	11	(2,505,026)	(2,903,600)
<b>Total non-current liabilities</b>		<u>(2,505,026)</u>	<u>(2,903,600)</u>
<b>Total liabilities</b>		<u>(2,512,639)</u>	<u>(2,920,417)</u>
<b>Net Assets</b>		<u>530</u>	<u>284</u>
<b>Equity</b>			
Capital and reserves			
Ordinary shares	12	50	50
Retained earnings		480	234
<b>Total Equity</b>		<u>530</u>	<u>284</u>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 28 July 2016 and were signed on its behalf by:



M R Wood  
Director

<b>Statement of changes in equity</b>
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	Notes	Ordinary shares £'000	Retained earnings £'000	Total £'000
At 1 April 2014		50	304	354
Total comprehensive income for the year ended 31 March 2015		-	230	230
Transactions with owners:				
Dividends	6	-	(300)	(300)
At 31 March 2015		50	234	284
Total comprehensive income for the year ended 31 March 2016		-	246	246
At 31 March 2016		50	480	530

## 1. Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared under the historical cost convention.

The results of the Company are included in the consolidated financial statements of Land Securities Group PLC which are available from 5 Strand, London, WC2N 5AF.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2016. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£'000).

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

- (a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 'Presentation of Financial Statements';
- (b) the requirements of IAS 7 'Statement of Cash Flows';
- (c) the requirements of paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- (d) 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.

### Change in accounting policy

During the year the directors elected to early adopt 'Amendments to FRS 101 – Reduced Disclosure Framework 2014/15 cycle and other minor amendments which sets out changes made to FRS 101 and its appendices to:

- provide exemptions in respect of disclosures required by paragraph 18A of IAS 24 – 'Related Party Disclosures' – and the requirements of paragraphs 6 and 21 of IFRS 1 – 'First-time Adoption of International Financial Reporting Standards'; and
- maintain consistency between FRS 101 and UK company law as a result of the new EU Accounting Directive – 'Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings – which has been implemented in the UK through 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations' 2015 (SI 2015/980) ('SI 2015/980').

As a result of the above change in accounting policy the balance sheet of the company is now presented in accordance with IAS 1. Previously, the balance sheet was presented in accordance with Companies Act 2006. The change only results in the revised description for the balance sheet items and there were no adjustments arising on the change in accounting policy. The revised balance sheet presentation results in consistent presentation with the consolidated financial statements of Land Securities Group PLC.

## 2. Significant accounting policies

The accounting policies which follow set out those which apply in preparing the financial statements for the year ended 31 March 2016.

### (a) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or fewer.

### (b) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement account over the period of the borrowings, using the effective interest method.

### (c) Loan receivable

The loan receivable is recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the loan receivable is stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement account over the period of the loan receivable, using the effective interest method.

## 2. Significant accounting policies (continued)

### (d) Interest receivable and interest payable

Interest receivable and interest payable are 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.

### (e) Impairment

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

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

### (f) Income taxation

Income tax on the profit or loss for the year comprises current tax. Current tax is the tax payable on the taxable income for the year based on tax rates and laws that are enacted or substantially enacted by the balance sheet date and any adjustment in respect of previous years.

### (g) Dividend distribution

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

### (h) Dividend income

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

### (i) Intercompany loans

Intercompany loans are recognised initially at fair value less attributable transaction costs. Subsequently to initial recognition, intercompany loans are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the loan, using the effective interest method.

### (j) Trade and other payables

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

## 3. Critical accounting judgements and key estimation uncertainty

The Company's significant accounting policies are stated in note 2 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

### (a) Loans to Group undertakings

The Company is required to judge when there is sufficient objective evidence to require the impairment of loans to Group undertakings. It does this on the basis of external evidence of the credit status of the counterparty.

#### 4. Management and administrative expenses

##### (a) Management services

The Company had no employees during the year (2015: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, which is a fellow subsidiary of Land Securities Group PLC.

##### (b) Directors' emoluments

The directors received no remuneration for qualifying services to the Company (2015: £Nil).

##### (c) Auditor's remuneration

The proportion of the Group auditor's remuneration which relates to the Company amounts to £1,545 (2015: £1,545), which is borne by Land Securities Properties Limited. The auditor received no remuneration for non-audit services provided to the Company during the year (2015: £Nil).

#### 5. Net interest income

	2016 £'000	2015 £'000
Interest expense	(153,613)	(153,250)
Bond and debenture debt	(26,212)	-
Premium payable on redemption of medium term notes	(179,825)	(153,250)
<b>Total interest expense</b>		
Interest income	153,920	153,541
Interest receivable on loans to Group undertakings	26,212	-
Recharge of premium payable on redemption of medium term notes	180,132	153,541
<b>Total interest income</b>		
<b>Net interest income</b>	<b>307</b>	<b>291</b>

#### 6. Dividends

	2016 £ per share	2015 £ per share	2016 £'000	2015 £'000
Ordinary – interim	-	6	-	300

#### 7. Income tax

	2016 £'000	2015 £'000
Current tax	61	61
Income tax on profit for the year	61	61
<b>Total income tax charge in the income statement</b>	<b>61</b>	<b>61</b>
<b>Total tax charge</b>	<b>61</b>	<b>61</b>
<b>Factors affecting the tax charge for the year</b>		
The current income tax charge for the year equates to (2015: equates to) the standard rate of corporation tax in the UK of 20% (2015: 21%).	307	291
Profit before tax	61	61
Profit before tax multiplied by the rate of corporation tax in the UK of 20% (2015: 21%)	61	61
<b>Total income tax charge in the income statement (as above)</b>	<b>61</b>	<b>61</b>

On the 26 October 2015 a reduction in the corporation tax rate was substantively enacted, reducing the tax rate from 20% to 19% effective 1 April 2017 and from 19% to 18% effective 1 April 2020.

#### 8. Loans receivable

	2016 £'000	2015 £'000
Loans receivable	2,505,026	2,903,600
<b>Total loans receivable</b>	<b>2,505,026</b>	<b>2,903,600</b>

The terms and conditions of loans receivable are the same as the medium term notes with the exception of a slight difference in terms of interest that are considered to be insignificant. Therefore, it is considered that the fair value of loans receivable, £3,077.0m (2015: £3,608.7m), is the same as the fair value of medium term notes.

## 9. Trade and other receivables

	2016 £'000	2015 £'000
Current tax assets	100	100
Loans to Group undertakings	7,613	15,415
<b>Total current trade and other receivables</b>	<b>7,713</b>	<b>15,515</b>

The unsecured loan to the group undertaking is repayable when the note it relates to is repaid. Interest is charged at the interest rate on the related note plus 0.01%.

## 10. Trade and other payables

	2016 £'000	2015 £'000
Accruals and deferred income	7,613	15,415
Loans from Group undertakings	1,163	1,402
<b>Total current trade and other payables</b>	<b>8,776</b>	<b>16,817</b>

## 11. Borrowings

	Effective interest rate	Nominal/ notional value	2016		2015		Book value
			Fair value	Book value	Nominal/ notional value	Fair value	
	%	£'000	£'000	£'000	£'000	£'000	£'000
Non-current borrowings							
4.875 per cent MTN due 2019	5.0	-	-	-	400,000	436,000	399,201
5.425 per cent MTN due 2022	5.5	255,328	291,418	254,971	255,328	298,313	254,893
4.875 per cent MTN due 2025	4.9	300,000	351,300	298,233	300,000	357,195	298,044
5.391 per cent MTN due 2026	5.4	210,675	253,906	210,103	210,675	260,057	210,047
5.391 per cent MTN due 2027	5.4	608,261	748,830	606,371	608,284	767,077	606,235
5.376 per cent MTN due 2029	5.4	317,518	397,517	316,276	317,562	410,084	316,244
5.396 per cent MTN due 2032	5.4	322,648	410,004	321,083	322,648	426,540	321,013
5.125 per cent MTN due 2036	5.1	500,000	624,050	497,989	500,000	653,450	497,923
Total borrowings		2,514,430	3,077,025	2,505,026	2,914,497	3,608,716	2,903,600

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:

	2016 £'000	2015 £'000
Less than one year	132,730	152,235
More than one year but less than two years	132,730	152,235
More than two years but no more than five years	639,706	1,065,469
More than five years	3,063,616	3,182,939
	3,968,782	4,552,878

### Medium term notes (MTN)

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, development properties and the Group's investment in the Westgate Oxford Alliance Limited Partnership, Nova, Victoria and the St. David's Limited Partnership, valued at £12.6bn at 31 March 2016 (2015: £12.3bn). The secured debt structure has a tiered operating covenant regime which gives the Company 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 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 is LIBOR plus an increased margin. The effective interest rate 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.

On 29 March 2016, the Company repurchased the £400m, 4.875% MTN due in 2019 for a premium of £26.2m. At 31 March 2016, the Group had £2,514.4m of MTNs outstanding with final maturities between 2022 and 2036.

### Financial risk management

#### Financial risk factors

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

#### Credit risk

The Company's principal financial assets are cash and inter-company loans, and therefore has limited credit risk. The Company's MTNs are listed on the Irish Stock Exchange.

#### Interest rate risk

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

#### Liquidity risk

The Company actively maintains a mixture of MTNs with final maturities between 2022 and 2036. Any short-term liquidity requirement is minimal and funding requirements can be covered by committed facilities held by other group companies.

#### 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 2016 and 31 March 2015.

#### Sensitivity analysis

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

### Valuation hierarchy

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

## 12. Ordinary share capital

	2016 Number	Issued 2015 Number	Allotted and fully paid 2016 £	2015 £
Ordinary shares of £1.00 each	50,000	50,000	50,000	50,000

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

## 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 2016 (2015: nil).

## 14. Parent company

The immediate parent company is Land Securities PLC.

The ultimate parent company and controlling party at 31 March 2016 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 2016 for Land Securities Group PLC can be obtained from the Company Secretary, 5 Strand, London WC2N 5AF. This is the largest and smallest group to include these accounts in its consolidated financial statements.

## 15. Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to a net current asset and net asset position as at 31 March 2016 and projected positive future cash flows for at least one year after these financial statements are signed.