

Registered Number 05163698

LS PROPERTY FINANCE COMPANY LIMITED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## Strategic Report for the year ended 31 March 2018

The directors present their Strategic Report with audited financial statements of the Company for the year ended 31 March 2018.

### RESULTS FOR THE YEAR

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

### REVIEW OF THE BUSINESS

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

During the year, the Company's committed facilities were increased by £150m to £2,090m (31 March 2017: £1,940m). The £150m increase in committed facilities is the result of an increase in the syndicated debt facility arranged on 29 March 2018.

In September 2017, a fellow subsidiary company of the Land Securities Group issued a £500m 2.625% medium term note ('MTN') with a final maturity of 2039 and a £500m 2.750% MTN with a final maturity of 2059 and, in March 2018, issued a £350m 2.375% MTN due 2029. The proceeds of which were loaned to the company and are recognised within non-current loans due to group undertakings. Interest on the loans mirror the interest on the related medium-term notes and the loans are repayable when the loans to which they relate are to be repaid. The equivalent amounts have been loaned to another fellow subsidiary company and are recognised within non-current loans due from group undertakings. These loan receivables are subject to the same terms as the loan payables plus a small margin. Further details are set out in notes 7 and 12 to the financial statements.

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

### KEY PERFORMANCE INDICATORS

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

### PRINCIPAL RISKS AND UNCERTAINTIES

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

### FINANCIAL RISK MANAGEMENT

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

The Company uses interest-rate swaps and similar instruments (forward rate agreements, forward starting swaps, etc) to manage its interest rate exposure. On 4 September 2017, management approved a cash flow hedge instrument designed to manage the interest rate risk relating to the Group's £500.0m 2039 and £500.0m 2059 MTN issuances. The cash flow instrument matured on 22 September 2017 which resulted in a gain of £19.6m being recognised within other comprehensive income.

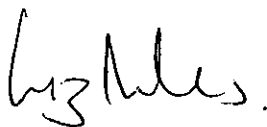
The Company's principal financial assets are cash and intercompany loans and are deemed to have limited credit risk. This credit risk is limited because the company entered into an agreement with another group subsidiary to ensure sufficient funds are available to meet the external obligations when these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

At 31 March 2018, the Company had £1.965bn of committed revolving credit facilities which mature between June 2022 and March 2023 and a bilateral facility totalling £125.0m which matures in January 2022. This is designed to ensure that the Company has sufficient available funds to lend to other group undertakings for operations and planned future investments.

The fair value of the Company's borrowings and interest-rate swaps varies according to changes in the market cost of borrowing.

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

Registered Office  
100 Victoria Street  
London  
SW1E 5JL



By order of the Board  
E Miles, for and on behalf of LS Company Secretaries Limited,  
Company Secretary  
23 July 2018

Registered and domiciled in England and Wales  
Registered number: 05163698

## Directors' Report for the year ended 31 March 2018

The directors present their report with audited financial statements of the Company for the year ended 31 March 2018.

### PRINCIPAL ACTIVITY AND FUTURE BUSINESS DEVELOPMENTS

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

### DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 March 2018 (2017: £Nil).

### CORPORATE GOVERNANCE

The Company is a wholly owned subsidiary of the Land Securities Group which beneficially holds 100% of the ordinary share capital of the Company (refer to note 14 and 17). The Company's risk management framework is applied through the Land Securities Group's Risk Management Process, which covers the risk management and internal control system. Details of the Process can be found in the consolidated financial statements for the year ended 31 March 2018, available on the Group's website.

The Directors are responsible for implementing and monitoring the effectiveness of the Company's internal controls and risk management systems. Procedures have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records and for reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements, errors, losses or fraud. Further details are discussed in Principal Risks and Uncertainties in 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 2018 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 unless otherwise stated were:

M R Wood  
M F Greenslade  
M P Cadwaladr  
J Gillard  
M R Worthington

### FINANCIAL RISK MANAGEMENT

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

### INDEMNITY

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

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

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

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



By order of the Board  
E Miles, for and on behalf of LS Company Secretaries Limited,  
Company Secretary  
23 July 2018

Registered Office  
100 Victoria Street  
London  
SW1E 5JL

Registered and domiciled in England and Wales  
Registered number: 05163698

**Directors' Responsibilities for the year ended 31 March 2018****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

# **Independent Auditor's Report to the Members of LS Property Finance Company Limited for the year ended 31 March 2018**

## **Opinion**

We have audited the financial statements of LS Property Finance Company Limited (the 'Company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## **Conclusions relating to going concern**

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

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

## **Other information**

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

**Independent Auditor's Report to the Members of LS Property Finance Company Limited for the year ended 31 March 2018 (continued)**

**Respective responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

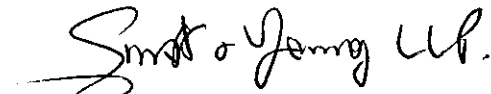
**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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



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

24 July 2018

<b>Statement of Comprehensive Income for the year ended 31 March 2018</b>
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	Notes	2018 £'000	2017 £'000
Interest income	5	173,864	158,097
Interest expense	5	(173,845)	(158,072)
<b>Profit before tax</b>		<b>19</b>	<b>25</b>
Taxation	6	(3)	(5)
<b>Profit for the financial year</b>		<b>16</b>	<b>20</b>
<b>Other comprehensive income:</b>			
Items which may be subsequently reclassified to profit or loss			
Fair value movement on cash flow hedges arising during the year		19,606	-
<b>Total comprehensive income for the year</b>		<b>19,622</b>	<b>20</b>

All amounts derive from continuing activities.

## Balance Sheet as at 31 March 2018

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Loans due from Group undertakings	7	4,766,618	3,258,759
Derivative financial instruments	13	6,220	-
<b>Total non-current assets</b>		<b>4,772,838</b>	<b>3,258,759</b>
<b>Current assets</b>			
Trade and other receivables	8	57,665	21,189
Amounts due from Group undertakings	9	6,400	-
Cash at bank and on hand		185	57,434
<b>Total current assets</b>		<b>64,250</b>	<b>78,623</b>
<b>Total assets</b>		<b>4,837,088</b>	<b>3,337,382</b>
<b>Current liabilities</b>			
Trade and other payables	10	(46,669)	(27,157)
Amounts due to Group undertakings	11	-	(46,595)
Derivative financial instruments	13	(1,117)	-
<b>Total current liabilities</b>		<b>(47,786)</b>	<b>(73,752)</b>
<b>Non-current liabilities</b>			
Borrowings	12	(228,000)	(55,000)
Loans due to Group undertakings	12	(4,538,618)	(3,203,759)
Derivative financial instruments	13	-	(1,809)
<b>Total non-current liabilities</b>		<b>(4,766,618)</b>	<b>(3,260,568)</b>
<b>Total liabilities</b>		<b>(4,814,404)</b>	<b>(3,334,320)</b>
<b>Net assets</b>		<b>22,684</b>	<b>3,062</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Ordinary shares	14	-	-
Retained earnings		22,684	3,062
<b>Total Equity</b>		<b>22,684</b>	<b>3,062</b>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 23 July 2018 and were signed on its behalf by:



M R Wood  
Director



<b>Statement of changes in equity</b>
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	Ordinary shares £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2016</b>	-	3,042	3,042
Total comprehensive income for the year ended 31 March 2017	-	20	20
<b>At 31 March 2017</b>	-	<b>3,062</b>	<b>3,062</b>
 Total comprehensive income for the year ended 31 March 2018	-	19,622	19,622
<b>At 31 March 2018</b>	-	<b>22,684</b>	<b>22,684</b>

## 1. Basis of preparation

LS Property Finance Company Limited (the 'Company') is a private company limited by shares and is incorporated, domiciled and registered in England and Wales (Registered number: 05163698). The Company's registered office address is 100 Victoria Street, London, SW1E 5JL. The nature of the Company's operations is set out in the Strategic Report on page 1.

These financial statements of the Company have been prepared on a going concern basis and in accordance with applicable law and United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

These are the first set of financial statements in which the Company has presented a single Statement of Comprehensive Income. There were no adjustments in respect of the previously reported financial position as a result of this change.

The results of the Company are included in the consolidated financial statements of Land Securities Group PLC and its subsidiaries (the 'Group') which are available from 100 Victoria Street, London, SW1E 5JL. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£'000).

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

- (a) the requirements of IAS 7 'Statement of Cash Flows';
- (b) the requirements of paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- (c) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The directors believe that preparing the accounts on the going concern basis is appropriate due to a net current asset and net asset position as at 31 March 2018 and projected positive future cash flows for at least one year after these financial statements are signed.

## 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 2018.

The accounting policies and methods of computation used remain unchanged from the previous year and no new or amended accounting standards effective during the year have had an effect on the Company.

### (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 less.

### (b) Interest-rate swaps

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

### (c) Borrowings

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

### (d) Intercompany loans

The loans due from Group undertakings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the loan receivable is stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Statement of Comprehensive Income account over the period of the loan receivable, using the effective interest method.

The loans due to Group undertakings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the loan payable is stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Statement of Comprehensive Income account over the period of the loan payable, using the effective interest method.

### (e) Interest receivable and interest payable

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

## 2. Significant accounting policies (continued)

### (f) Impairment

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. For financial assets carried at amortised cost, the Company assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

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

### (g) 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.

## 3. Critical accounting judgements and key areas of 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.

### Loans to Group undertakings

The Company is required to judge when there is sufficient objective evidence to require the impairment of loans due from Group undertaking-fellow subsidiary. It does this on the basis of evidence of the credit status of the counterparty.

## 4. Management and administrative expenses

### (a) Management services

The Company had no employees during the year (2017: None).

### (b) Directors' emoluments

The Group's directors' emoluments are borne by Land Securities Properties Limited. The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company (2017: £Nil).

### (c) Auditor's remuneration

The proportion of the Group auditor's remuneration which relates to the audit of the Company's financial statements amounts to £1,700 (2017: £1,700), which is borne by Land Securities Properties Limited. There were no non-audit services received during the year (2017: None).

## 5. Net interest income

	2018 £'000	2017 £'000
<b>Interest expense</b>		
Bank borrowings	(3,924)	(6,250)
Other interest payable	(5,298)	(5,863)
Fair value losses on interest-rate swaps	-	(8,322)
Interest payable on loans from Group undertakings	(163,675)	(136,629)
Issue costs written off	(948)	(1,008)
<b>Total interest expense</b>	<b>(173,845)</b>	<b>(158,072)</b>
<b>Interest income</b>		
Interest receivable on loans to Group undertakings	166,952	158,094
Fair value gains on interest-rate swaps and foreign exchange forwards	6,912	-
Other interest income	-	3
<b>Total interest income</b>	<b>173,864</b>	<b>158,097</b>
<b>Net interest income</b>	<b>19</b>	<b>25</b>

## 6. Income tax

	2018 £'000	2017 £'000
<b>Current tax</b>		
Income tax on profit for the year	3	5
<b>Total income tax charge in the Statement of Comprehensive Income</b>	<b>3</b>	<b>5</b>

### Factors affecting the tax charge for the year

The current income tax charge for the year equates to (2017: equates to) the standard rate of corporation tax in the UK of 19% (2017: 20%).

Profit before tax	19	25
Profit before tax multiplied by the rate of corporation tax in the UK of 19% (2017: 20%)	3	5
<b>Total income tax charge in the Statement of Comprehensive Income (as above)</b>	<b>3</b>	<b>5</b>

On 6 September 2016, a reduction in the corporation tax rate was substantively enacted, reducing the tax rate from 19% to 17% effective 1 April 2020.

## 7. Loans due from Group undertakings

	2018 £'000	2017 £'000
Loans due from fellow subsidiary undertaking	4,766,618	3,258,759
<b>Total loans due from Group undertakings</b>	<b>4,766,618</b>	<b>3,258,759</b>

The Loans due from Group undertakings are wholly due from Land Securities (Finance) Limited and mirror fixed rate medium term notes with maturities between 2022-2059 and syndicated/ bilateral debt with maturities between 2022-2023. The fair value of Loans due from Group undertakings at 31 March 2018 of £5,435.0m (2017: £4,025.0m), is the same as the fair values of the associated medium-term notes and syndicated/ bilateral debt.

Loans due from Group undertakings are repayable when the loans to which they relate are to be repaid. Interest on the fixed rate medium term notes is charged at fixed rates of between 1.974% and 5.425% on the related notes plus 0.01%. For further information refer to note 12. Interest on the syndicated/ bilateral debt is charged at LIBOR + margin plus 0.01%.

## 8. Trade and other receivables

	2018 £'000	2017 £'000
Prepayments	10,921	10,303
Accrued income	46,669	10,801
Current tax assets	75	85
<b>Total current trade and other receivables</b>	<b>57,665</b>	<b>21,189</b>

## 9. Amounts due from Group undertakings

	2018 £'000	2017 £'000
Amounts due from fellow subsidiary undertaking	6,400	-
<b>Total amounts due from Group undertakings</b>	<b>6,400</b>	<b>-</b>

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

## 10. Trade and other payables

	2018 £'000	2017 £'000
Accruals	46,669	27,145
Other payables	-	12
<b>Total current trade and other payables</b>	<b>46,669</b>	<b>27,157</b>

## 11. Amounts due to Group undertakings

	2018 £'000	2017 £'000
Amounts due to fellow subsidiary undertaking	-	46,595
<b>Total amounts due to Group undertakings</b>	<b>-</b>	<b>46,595</b>

The amounts due to Group undertakings were repaid during the year. The amounts were interest free, repayable on demand with no fixed repayment date.

## 12. Loans and Borrowings

	Effective interest rate	Nominal/ notional value £'000	Fair value £'000	2018 Book value £'000	Nominal/ notional value £'000	Fair value £'000	2017 Book value £'000
	%						
<b>Non-current borrowings</b>							
Syndicated bank debt	LIBOR + margin	228,000	228,000	228,000	55,000	55,000	55,000
<b>Total borrowings</b>		<b>228,000</b>	<b>228,000</b>	<b>228,000</b>	<b>55,000</b>	<b>55,000</b>	<b>55,000</b>
 Loans due to fellow subsidiary undertakings		 4,563,835	 5,206,984	 4,538,618	 3,213,979	 3,969,956	 3,203,759
<b>Total non-current loans due to fellow subsidiary undertakings</b>		<b>4,563,835</b>	<b>5,206,984</b>	<b>4,538,618</b>	<b>3,213,979</b>	<b>3,969,956</b>	<b>3,203,759</b>

Interest on the amounts due to fellow subsidiary undertakings mirror the related fixed rate MTNs charged at fixed rates of between 1.974% and 5.425% on the related notes plus 0.01%. The related fixed rate MTNs have final maturities between 2022-2059. Loans due to fellow subsidiary undertakings are repayable when the loans to which they relate are to be repaid.

### Syndicated and bilateral bank debt

	Maturity as at 31 March 2018	2018 £'000	Authorised 2017 £'000	2018 £'000	Drawn 2017 £'000	2018 £'000	Undrawn 2017 £'000
Syndicated debt	2022-23	1,965,000	1,815,000	103,000	55,000	1,862,000	1,760,000
Bilateral debt	2022	125,000	125,000	125,000	-	-	125,000
		<b>2,090,000</b>	<b>1,940,000</b>	<b>228,000</b>	<b>55,000</b>	<b>1,862,000</b>	<b>1,885,000</b>

During the year, the Company's £1,380m syndicated facility was extended to 25 March 2023, the £435m syndicated facility was extended to 14 June 2022 and the £125m bilateral facility was extended to 31 January 2022.

At 31 March 2018, the Company's committed revolving facilities totalled £2,090m (31 March 2017: £1,940m). The £150m increase in committed facilities is the result of an increase in the syndicated debt facility arranged on 29 March 2018. During the year ended 31 March 2018, the amounts drawn under the Group's facilities increased by £173m.

All syndicated and bilateral facilities are committed and secured on the fixed and floating pool of assets of the Security Group (the 'Security Group'). Debt investors benefit from security over a pool of investment properties, development properties and the Group's investment in the X-Leisure Fund, Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership in total valued at £13.7bn at 31 March 2018 (31 March 2017: £12.9bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45 times respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. Management monitors the key covenants attached to the Security Group on a monthly basis. These covenants have been met during the financial year and up to the date of approval the financial statements.

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

	2018				2017			
	Loans due to fellow subsidiary undertakings £'000	Borrowings £'000	Derivatives £'000	Total £'000	Loans due to fellow subsidiary undertakings £'000	Borrowings £'000	Derivatives £'000	Total £'000
Less than one year	182,979	2,887	7,753	193,619	147,799	542	829	149,170
Between 1 and 2 years	438,345	2,887	999	442,231	147,799	542	1,509	149,850
Between 2 and 5 years	507,381	232,172	5,588	745,141	671,070	56,201	1,069	728,834
Over five years	5,622,031	-	182	5,622,213	3,708,578	-	(1,784)	3,706,794
	<b>6,750,736</b>	<b>237,946</b>	<b>14,522</b>	<b>7,003,204</b>	<b>4,675,246</b>	<b>57,285</b>	<b>1,623</b>	<b>4,734,154</b>

### Valuation hierarchy

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

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

### 13. Derivative financial instruments

Fair value of derivative financial instruments	2018 £'000	2017 £'000
Non-current assets	6,220	-
Current liabilities	(1,117)	-
Non-current liabilities	-	(1,809)
	(1,117)	(1,809)
<b>Notional amount</b>	<b>2018 £'m</b>	<b>2017 £'m</b>
Interest-rate swaps	400	400
Foreign exchange forward	45	-
	445	400

#### Valuation hierarchy

##### Interest rate swaps

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

##### Foreign exchange forwards

The fair values of the financial instruments have been determined by reference to relevant market prices, where available. These valuation techniques fall within level 2, as defined by IFRS 13. The foreign exchange forwards have a maturity date of December 2018 and have a fixed interest rate 0.91%.

### 14. Ordinary share capital

	Authorised and issued 2018 Number	2017 Number	Allotted and fully paid 2018 £	2017 £
Ordinary shares of £1.00 each	100	100	100	100

### 15. Capital and financial risk management

#### Capital management

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

#### Financial risk factors

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

##### Credit risk

The Company's principal financial assets are cash and inter-company loans, it has limited credit risk. This credit risk is limited because the company entered into an agreement with another group subsidiary to ensure sufficient funds are available to meet the external obligations when these arise. The solvency of the Land Securities Group is considered strong and therefore credit risk of the group subsidiary is also deemed to be negligible.

##### Interest rate risk

The company uses derivative financial instruments to manage its interest rate exposure. Where specific hedges are used to fix the interest exposure on debt, these may qualify for hedge accounting. On 4 September 2017, management approved a cash flow hedge instrument designed to manage the interest rate risk relating to the Group's £500.0m 2039 and £500.0m 2059 MTN issuances. The cash flow instrument matured on 22 September 2017 which resulted in a gain of £19.6m being recognised within other comprehensive income.

At 31 March 2018, the Company had pay-fixed interest-rate swaps in place with a nominal value of £400m (2017: £70m), and forward-starting pay-fixed interest-rate swaps of £Nil (2017: £400m). Based on the Company's debt balances at 31 March 2018, a 1% increase in interest rates would increase the annual net finance expense in the Statement of Comprehensive Income and reduce equity by £6.4m (2017: £2.0m). The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest-rate swaps and cash and cash equivalents.

##### Liquidity risk

The Company actively maintains a mixture of facilities with final maturities between 2022 and 2023. Any short-term liquidity requirement is minimal and funding requirements can be covered by the committed facilities held by other Group companies.

##### Foreign currency risk

At 31 March 2018, the Company had €50.0m (2017: £nil) of foreign currency exposure, relating to a forward foreign currency contract entered into in order to economically hedge forecast foreign currency purchases of the Group. A 10% (weakening)/strengthening of Sterling would have a (£5.2m)/£3.9m (2017: £nil) impact on the Statement of Comprehensive Income and equity.

## **16. 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.

## **17. Parent company**

The immediate parent company is Land Securities PLC.

The ultimate parent company and controlling party at 31 March 2018 was Land Securities Group PLC, which is registered in England and Wales. This is the smallest and largest parent company of the Group to consolidate these financial statements.

Consolidated financial statements for the year ended 31 March 2018 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.