Registered number: 05163698

LS PROPERTY FINANCE COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2023

The directors of LS Property Finance Company Limited (the 'Company') present their Strategic Report, Directors' Report and the financial statements for the year ended 31 March 2023.

Results for the year

The results are set out in the Statement of Comprehensive Income on page 7.

Review of the business

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

At 31 March 2023, the Company's committed revolving facilities totalled **£2,715m** (31 March 2022: £2,715m).

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

Key performance indicators

The directors of Land Securities Group PLC and its subsidiaries ('the Group') manage the Group's operations on a group basis. For this reason, the Company's directors believe that an analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Group is discussed in the consolidated financial statements of Land Securities Group PLC, in which the entity is consolidated, and which does not form part of this report.

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 and foreign-exchange swaps exposes it to a variety of financial risks that include credit risk, the effects of changes in liquidity, fair value of swaps and interest rates.

The Company uses interest-rate swaps and foreign exchange swaps to manage the Group's interest rate exposure and its foreign currency risk. The foreign exchange swaps recognised within this Company are used at a Group level to mitigate the currency risk associated with the Commercial Papers held by the Company's immediate parent undertaking, Land Securities PLC. See also notes 14 and 16. All fair value movements of the derivatives held by the Company are recharged to a fellow subsidiary entity.

The Company's principal financial assets are cash and loans and amounts due from Group undertakings. The credit risk it faces is primarily attributable to its loans and amounts due from Group undertakings, as cash has negligible credit risk. Loans and amounts due from Group undertakings are deemed to have low credit risk. The Company assesses on a forward-looking basis, the expected credit-losses associated with its loans and amounts due from Group undertakings. In determining the credit-loss of loans and amounts due from Group undertakings, 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. The credit risk on derivative financial instruments is limited due to the Company's policy of monitoring counterparty exposures. The carrying amounts of the financial assets best represent the maximum credit risk.

The Company is exposed to liquidity risk and needs to ensure that the cash balances and cash flows from operations are sufficient to enable the Company to pay interest. The Company carefully monitors actual cash flows against forecasts and budgets in order to manage this risk, please also see Directors' Report regarding going concern. Additionally, liquidity risk is deemed to be low because the Company has entered into an agreement with another Group subsidiary to ensure sufficient funds are available to meet the external obligations when these arise.

At 31 March 2023, the Company had **£2,490m** (2022: £2,490m) of committed syndicated revolving credit facilities which mature between 2026 and 2027 and a committed bilateral facility totalling **£225m** (2022: £225m) which matures in 2026. These are 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, interest-rate swaps and foreign-exchange 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.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

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 15). 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 2023, 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.

DocuSigned by:
Maria Smout
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M Smout, for and on behalf of LS Company Secretaries Limited
Company Secretary

20 July 2023

Registered and domiciled in England and Wales
Registered number: 05163698

LS PROPERTY FINANCE COMPANY LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2023

The directors of LS Property Finance Company Limited (the 'Company') present their report and the financial statements for the year ended 31 March 2023.

Directors' responsibilities statement

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

Directors’ engagement statement

Details of how directors have engaged with key stakeholders of the Company have been disclosed in the Section 172 (1) statement in the Strategic Report.

Principal activity, review of the business and future developments

The Company operates primarily as a funding vehicle for Land Securities Group PLC and its subsidiaries (together referred to as the ‘Group’ or ‘Land Securities Group’). It does this by accessing external debt, mainly through banking facilities, and lending the proceeds to the Group’s subsidiaries. No changes in the Company’s principal activity are anticipated in the foreseeable future.

Review of the business and future developments are disclosed in the Strategic Report.

Going concern

The directors have determined that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Land Securities Group PLC. The directors’ going concern assessment covers the period to 31 July 2024 and confirmation has been received that Land Securities Group PLC will support the Company until this date, so long as the Company remains a subsidiary of Land Securities Group PLC. If the Company was sold within the next 12 months from 31 July 2023, confirmation has been received that Land Securities Group PLC would ensure the Company remains in a position to continue as a going concern at the point of sale. The Company’s ability to meet its future liabilities is therefore dependent on the financial performance, position and liquidity of the Group as a whole.

At the 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. Stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for the period to 31 July 2024. This stress testing modelled a scenario with materially reduced levels of cash receipts over the next 12 months. Based on these considerations, 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 financial statements for the year ended 31 March 2023.

Results for the year and dividend

Results for the year are disclosed in the Strategic Report.

The directors do not recommend the payment of a dividend for the year ended 31 March 2023 (2022: £Nil).

Directors

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

E A Gillbe
J S Gillard (resigned 15 June 2022)
M R Worthington
R C Futter (resigned 5 August 2022)
C Mairs
V K Simms
D E Stanley (appointed 5 August 2022, resigned 13 December 2022)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

Indemnity

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

Financial risk management

The financial risk management objectives and policies are disclosed in the Strategic Report and note 16.

Statement of disclosure of information to auditor

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

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

Registered Office
100 Victoria Street
London
SW1E 5JL

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

DocuSigned by:
Maria Smout
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M Smout for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 20 July 2023

Registered and domiciled in England and Wales
Registered number: 05163698

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LS PROPERTY FINANCE COMPANY LIMITED

Opinion

We have audited the financial statements of LS Property Finance Company Limited (the 'Company') for the year ended 31 March 2023 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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. 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

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period to 31 July 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company’s ability to continue as a going concern.

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 contained within the annual report.

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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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).
- We understood how LS Property Finance Company Limited 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.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by reviewing the Land Securities Group risk register and through enquiry with the Company's Management during the planning and execution phases of the audit. Where the risk was considered to be higher we performed audit procedures to address each identified fraud risk, specifically the risk over recoverability of loans due from Group undertakings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
    - Enquiry of Management, and when appropriate, those charged with governance of the Company, regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could impact the financial statements.
    - Reading minutes of the meetings of those charged with governance,
    - Obtaining direct confirmations from the Group's banking providers to vouch the existence of cash balances and completeness of loans and borrowings.
    - Obtaining and reading correspondences from legal and regulatory bodies, including the FRC and HMRC; and
    - Journal entry testing, with focus on manual journals and journals indicating large or unusual transactions based on our understanding the business.

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.

DocuSigned by:
Ernst & Young LLP
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Graeme Downes (Senior statutory auditor)

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

London

20 July 2023

LS PROPERTY FINANCE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £000	2022 £000
Interest income	5	**225,430**	196,559
Interest expense	5	**(225,216)**	(196,492)
Profit before tax		**214**	67
Taxation	6	**(41)**	(13)
Profit for the financial year		**173**	54
Other comprehensive loss:			
Movement in cashflow hedges		**(528)**	(515)
		(528)	(515)
Total comprehensive loss for the year		**(355)**	(461)

There were no recognised gains and losses for 2023 or 2022 other than those included in the Statement of Comprehensive Income.

All amounts are derived from continuing activities.

LS PROPERTY FINANCE COMPANY LIMITED
REGISTERED NUMBER: 05163698

BALANCE SHEET
AS AT 31 MARCH 2023

	Notes	2023 £000	2022 £000
Non-current assets			
Loans due from Group undertakings	7	**4,773,767**	5,542,248
Derivative financial instruments	14	**30,811**	15,140
		4,804,578	5,557,388
Current assets			
Trade and other receivables	8	**17,224**	20,921
Amounts due from Group undertakings	9	**73**	-
Derivative financial instruments	14	**2,805**	4,712
Cash and cash equivalents	10	**2,753**	12,262
		22,855	37,895
Current liabilities			
Trade and other payables	11	**(11,281)**	(12,290)
Derivative financial instruments	14	**(6,025)**	(164)
Amounts owed to Group undertakings	12	**(15,861)**	(19,727)
Loans due to Group undertakings	13	**(4,684,167)**	(4,288,348)
		(4,717,334)	(4,320,529)
Non-current liabilities			
Borrowings	13	**(89,600)**	(1,253,900)
		(89,600)	(1,253,900)
Net assets		**20,499**	20,854
Capital and reserves			
Share capital	15	**-**	-
Retained earnings		**20,499**	20,854
Total equity		**20,499**	20,854

The financial statements on pages 7 to 18 were approved by the Board of Directors and were signed on its behalf by:

DocuSigned by:

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E A Gillbe
Director

Date: 20 July 2023

LS PROPERTY FINANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 April 2021	-	**21,315**	**21,315**
Profit for the financial year	-	54	54
Movement in cashflow hedges	-	(515)	(515)
Total comprehensive loss for the financial year	-	**(461)**	**(461)**
At 31 March 2022	-	**20,854**	**20,854**
Profit for the financial year	-	173	173
Movement in cashflow hedges	-	(528)	(528)
Total comprehensive loss for the financial year	-	**(355)**	**(355)**
At 31 March 2023	-	**20,499**	**20,499**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1. Accounting policies

1.1 Basis of preparation

The financial statements have been prepared on a going concern basis (refer to note 1.3) 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.

LS Property Finance Company Limited (the 'Company') is a private company limited by shares and is incorporated, domiciled and registered in England and Wales (Registered number: 05163698). The nature of the Company's operations 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 (the 'Group') 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 2023. The financial statements are prepared in Pounds Sterling (£) and are rounded to the nearest thousand pounds (£000), except where otherwise noted.

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:
- 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
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements.

1.3 Going concern

The directors have determined that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Land Securities Group PLC. The directors' going concern assessment covers the period to 31 July 2024 and confirmation has been received that Land Securities Group PLC will support the Company until this date, so long as the Company remains a subsidiary of Land Securities Group PLC. If the Company was sold within the next 12 months from 31 July 2023, confirmation has been received that Land Securities Group PLC would ensure the Company remains in a position to continue as a going concern at the point of sale. The Company's ability to meet its future liabilities is therefore dependent on the financial performance, position and liquidity of the Group as a whole.

At the 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. Stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for the period to 31 July 2024. This stress testing modelled a scenario with materially reduced levels of cash receipts over the next 12 months. Based on these considerations, 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 financial statements for the year ended 31 March 2023.

1.4 Cash and cash equivalents

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

1.5 Derivative financial instruments

The Company uses interest-rate and foreign exchange swaps to manage the Group's market risk. In accordance with its treasury policy, the Company does not hold or issue derivatives for trading purposes.

All derivatives are recognised on the balance sheet at fair value. The fair value of interest-rate and foreign exchange 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 rates for similar instruments at the measurement date. The gain or loss on derivatives are recognised immediately in the Statement of Comprehensive Income and they are also recharged to Group undertakings, within net interest income.

Historically, the Company held gilt locks which were used to hedge exposure to interest rate movements on intercompany loans. The gilt locks have now all matured and are no longer in issue, with the release of the historical crystallisation being recognised to the Statement of Comprehensive Income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

1. Accounting policies (continued)

1.6 Interest receivable and interest payable

Interest payable is recognised on an accrual 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 Provisions

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

1.9 Share capital

Ordinary shares are classified as equity.

1.10 Borrowings

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

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

1.11 Intercompany loans

Loans and Amounts owed to Group undertakings

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

Loans and Amounts due from Group undertakings

Loans and amounts due from Group undertakings are recognised initially at fair value plus attributable transaction costs. Subsequent to initial recognition, loans and amounts due from Group undertakings are stated at amortised cost and, where relevant, adjusted for the time value of money. The Company assesses on a forward-looking basis, the expected credit losses associated with its loans and amounts 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 and amounts due from Group undertakings. If collection is expected in more than one year, the balance is presented within non-current assets.

1.12 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. There have been no new accounting standards, amendments or interpretations during the year that have a material impact on the financial statements of the Company.

Amendments to accounting standards

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the Company, none of which are expected to have a material impact on the financial statements of the Company.

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 estimates involve assumptions or judgements in respect of future events. Actual results may differ from these estimates.

Estimates

(a) Loans and amounts due from Group undertakings

The Company is required to estimate the impairment of loans and amounts due from Group undertakings. It does this by assessing on a forward-looking basis, the expected credit losses associated with its loans and amounts due from Group undertakings. 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.

4. Management and administrative expenses

(a) Management services

The Company had no employees during the year (2022: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, a fellow group undertaking, charges for which amount to **£Nil** (2022: £Nil).

(b) Directors' remuneration

The Group's directors' emoluments are borne by Land Securities Properties Limited. The directors of the Company, who are key management personnel of the Company, received no emoluments from Land Securities Properties Limited for their services to the Company (2022: £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 **£21,150** (2022: £18,000). No non-audit services were provided to the Company during the year (2022: None).

5. Net interest income

	2023 £000	2022 £000
Interest expense		
Bank borrowings	**(23,361)**	(8,888)
Other interest payable	**(5,466)**	(8,032)
Fair value losses on derivatives	**-**	(5,294)
Interest payable on loans owed to Group undertakings	**(171,037)**	(173,760)
Recharge of fair value gains on derivatives to Group undertakings	**(25,352)**	(518)
	(225,216)	(196,492)
Interest income		
Interest receivable on loans due from Group undertakings	**200,078**	190,747
Recharge of fair value losses on derivatives to Group undertakings	**-**	5,294
Fair value gains on derivatives	**25,352**	518
	225,430	196,559
Net interest income	**214**	67

6. Income tax

	2023 £000	2022 £000
Corporation tax		
Income tax on profit for the year	**41**	13
Total income tax charge in the Statement of Comprehensive Income	**41**	13

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2022 - the same as) the standard rate of corporation tax in the UK of **19%** (2022 - 19%) as set out below:

	2023 £000	2022 £000
Profit before tax	**214**	67
Profit before tax multiplied by UK corporation tax rate	**41**	13
Total tax charge in the Statement of Comprehensive Income (as above)	**41**	13

7. Loans due from Group undertakings

	2023 £000	2022 £000
Loans due from Group undertakings - fellow subsidiary undertaking	**4,773,767**	5,542,248
Total loans due from Group undertakings	**4,773,767**	5,542,248

The loans due from Group undertakings are wholly due from Land Securities (Finance) Limited (a fellow subsidiary undertaking) and mirror the payment terms of the Company's loans due to fellow subsidiary undertakings with maturities between 2025-2059 and syndicated/bilateral debt with maturities between 2026-2027.

In addition, the Company has a right to demand immediate repayment of the unsecured loans due from Group undertakings however, the Company expects the loans to be repayable when the loans to which they relate are to be repaid. Interest on loans due from fellow subsidiary undertakings is charged at fixed rates of between 1.974% and 5.396% on the related notes plus 0.01%. Interest on the syndicated/ bilateral debt is charged at SONIA + margin plus 0.01%.

Therefore, the fair value of loans due from Group undertakings at 31 March 2023 of **£4,425m** (2022: £5,961m) is the same as the fair values of the associated loans due to fellow subsidiary undertakings and syndicated/bilateral debt. For further information refer to note 13.

8. Trade and other receivables

	2023 £000	2022 £000
Prepayments	**5,943**	8,631
Accrued interest on intercompany loans	**11,281**	12,290
Total trade and other receivables	**17,224**	20,921

9. Amounts due from Group undertakings

	2023 £000	2022 £000
Amounts due from fellow subsidiary undertakings	**73**	-
Total amounts due from Group undertakings	**73**	-

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

10. Cash and cash equivalents

	2023 £000	2022 £000
Cash at bank and in hand	**2,753**	12,262
Total cash and cash equivalents	**2,753**	12,262

11. Trade and other payables

	2023 £000	2022 £000
Interest accruals	**11,281**	12,290
Total trade and other payables	**11,281**	12,290

12. Amounts owed to Group undertakings

	2023 £000	2022 £000
Amounts owed to Group undertakings - fellow subsidiary	**15,861**	19,727
Total amounts owed to Group undertakings	**15,861**	19,727

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

13. Loans and Borrowings

	Effective interest rate %	Nominal/ notional value £000	Fair value £000	2023 Book value £000	Nominal notional value £000	Fair value £000	2022 Book value £000
Non-current borrowings							
Syndicated bank debt	SONIA + margin	**89,600**	**89,600**	**89,600**	1,253,900	1,253,900	1,253,900
Total non-current borrowings		**89,600**	**89,600**	**89,600**	1,253,900	1,253,900	1,253,900

	Nominal/ notional value £000	Fair value £000	Book value £000	Nominal/ notional value £000	Fair value £000	Book value £000
Current loans due to Group undertakings						
Loans due to Group undertakings - fellow subsidiary	**4,707,451**	**4,335,497**	**4,684,167**	4,307,450	4,706,807	4,288,348
Total loans due to Group undertakings	**4,707,451**	**4,335,497**	**4,684,167**	4,307,450	4,706,807	4,288,348

Interest on the loans due to fellow subsidiary undertaking mirror the related fixed rate medium-term notes (MTNs) issued by the lender (Land Securities Capital Markets PLC) to open market and to other fellow subsidiaries. Interest is charged at fixed rates of between 1.974% and 5.396% on the related notes plus 0.01%. The related fixed rate MTNs have final maturities between 2025-2059. Loans due to fellow subsidiary undertaking are repayable when the MTNs to which they relate are to be repaid or earlier at the request of Land Securities Capital Markets PLC.

		Authorised		Drawn		Undrawn	
	Maturity as at 31 March 2023	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Syndicated debt	2026-27	**2,490,000**	2,490,000	**89,600**	1,098,500	**2,400,400**	1,391,500
Bilateral debt	2026	**225,000**	225,000	**-**	155,400	**225,000**	69,600
		2,715,000	2,715,000	**89,600**	1,253,900	**2,625,400**	1,461,100

At 31 March 2023, the Company's committed revolving facilities totalled **£2,715m** (2022: £2,715m).

13. Loans and Borrowings (continued)

All syndicated and bilateral facilities are committed and secured on the assets held by the Group Companies (the 'Security Group'). Debt investors benefit from security over a pool of investment properties, development properties and the Group's investment in Westgate Oxford Alliance Limited Partnership, Nova, Victoria and Southside Limited Partnership in total valued at **£9.6bn** at 31 March 2023 (2022: £11.2bn). 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. Management monitors the key covenants attached to the Security Group on a monthly basis. These covenants have been met during the financial year and up to the date of approval of the financial statements.

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

	Loans due to fellow subsidiary undertaking £000	**Borrowings £000**	**Derivatives £000**	**2023 Total £000**	Loans due to fellow subsidiary undertaking £000	Borrowings £000	Derivatives £000	2022 Total £000
Less than one year	**614,047**	**4,311**	**-**	**618,358**	198,870	17,073	-	215,943
Between 1 and 2 years	**265,891**	**4,311**	**15,521**	**285,723**	594,547	17,073	5,397	617,417
Between 2 and 5 years	**1,743,494**	**95,689**	**8,725**	**1,847,908**	1,773,815	1,292,651	9,307	3,075,773
Over five years	**3,581,491**	**-**	**-**	**3,581,491**	3,251,925	-	-	3,251,925
	6,204,923	**104,311**	**24,246**	**6,333,480**	5,819,157	1,326,797	14,704	7,161,058

Valuation hierarchy

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

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

14. Derivative financial instruments

Fair value of derivative financial instruments

	2023 £000	2022 £000
Current assets	**2,805**	4,712
Non-current assets	**30,811**	15,140
Current liabilities	**(6,025)**	(164)
	27,591	19,688

Notional amount

	2023 £000	2022 £000
Interest-rate swaps	**1,340,000**	675,000
Foreign exchange swaps	**318,797**	347,775
	1,658,797	1,022,775

At 31 March 2023, the Company held forward starting pay-fixed and receive-floating rate interest-rate swaps of **£940m** (2022: £275m) which are included in the notional amounts above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

14. Derivative financial instruments (continued)

The foreign exchange swaps are used to mitigate the currency risk around the Commercial Paper issued by Land Securities PLC at a Group level.

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 maturity dates between April 2023 and April 2027, and have fixed interest rates of between -0.0027% and 2.3145%.

Foreign exchange swaps

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

15. Share capital

	Authorised and issued		**Allotted and fully paid**	
	2023	2022	**2023**	2022
	Number	Number	**£**	£
Ordinary shares of £1.00 each	**100**	100	**100**	100
	100	100	**100**	100

16. 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 interest rate risk, credit risk, foreign currency risk and liquidity risk, including the impact of changes in debt market prices.

Credit risk

The Company's principal financial assets are cash and intercompany loans which have low credit risk. The solvency of the Land Securities Group is considered strong and therefore credit risk of the group subsidiary is also deemed to be negligible.

Interest rate risk

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

At 31 March 2023, the Company had pay-fixed interest-rate swaps in place with a nominal value of **£1,340m** (2022: £675m). Any movements in variable interest rates has an insignificant impact on the Company due to the equal and opposite effect of the interest income and expense. Additionally, due to an arrangement to recharge the fair value movements in interest rate swaps to another Group undertaking, there is no exposure within this Company.

Liquidity risk

The Company actively maintains a mixture of facilities with final maturities between 2026 and 2027 which are sufficient to meet any short-term liquidity requirement.

Foreign currency risk

The Company's foreign exchange risk is low. At 31 March 2023, the Group, through Land Securities PLC, had **€Nil** (2022: €6m) of foreign currency exposure being managed by the Company using foreign currency derivative contracts. These were entered into by the Company in order to economically hedge exposure to movements in foreign currencies of the Group. Due to an agreement to recharge the fair value movements to another Group undertaking, there is no foreign currency exposure on foreign currency derivatives within this Company.

17. Parent company

The immediate parent company is Land Securities PLC.

The ultimate parent company and controlling party at 31 March 2023 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 2023 for Land Securities Group PLC can be obtained from the Company Secretary at the registered office of the ultimate parent company, 100 Victoria Street, London, SW1E 5JL, and from the Group's website at www.landsec.com. This is the largest and smallest Group to include these accounts in its consolidated financial statements.