Registered number: 04165856

LS ONE NEW CHANGE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The directors of LS One New Change Limited (the 'Company') present their Strategic Report and the audited financial statements for the year ended 31 March 2019.

Results for the year

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

Review of the business

The Company has continued its business of property investment. No changes in the Company's principal activity are anticipated in the foreseeable future.

Key performance indicators

The directors assess the performance of the Company by reference to the valuation surplus / deficit upon revaluation of the Company's investment properties and profit before tax.

Principal risks and uncertainties

The principal risk facing the Company is that poor performance of the investment property might have a material impact on the asset valuation and rental income in the financial statements. The Company's performance during the year indicates a satisfactory performance of the investment property held.

Financial risk management

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

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

The Company's principal financial assets are trade and other receivables and therefore the credit risk it faces is primarily attributable to its trade receivables. Trade receivables are presented in the Balance Sheet net of allowances for doubtful receivables. The Company assesses on a forward-looking basis, the expected credit-losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit-losses of trade receivables, the Company takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis. The balance is low relative to the scale of the Balance Sheet and, owing to the long-term nature and diversity of the Company's tenancy arrangements, the credit risk of trade receivables is considered to be low. Furthermore, a credit report is obtained from an independent rating agency prior to the inception of a lease with a new counterparty. This report is used to determine the size of the deposit that is required, if any, from the tenant at inception. In general, these deposits represent between three, and six months' rent.

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

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

Registered Office
100 Victoria Street
London
SW1E 5JL

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

L Miller, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 30 September 2019

Registered and domiciled in England and Wales

Registered number: 04165856

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The directors of LS One New Change Limited (the 'Company') present their report and the audited financial statements for the year ended 31 March 2019.

Directors' responsibilities statement

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

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

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

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

Principal activity

The Company has continued its business of property investment in the United Kingdom. No changes in the Company's principal activity are anticipated in the foreseeable future.

Going concern

The directors believe 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 have received confirmation that Land Securities Group PLC intends to support the Company for at least one year after these financial statements are approved and signed.

Dividend

The directors do not recommend the payment of a dividend for the year ended 31 March 2019 (2018: £Nil) in addition to the interim dividend of **£55,000,000** (2018: £Nil) paid on 27 September 2018, making a total dividend for the year of **£55,000,000** (2018: £Nil).

Directors

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

Land Securities Management Services Limited
LS Director Limited
E Miles

Indemnity

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

Financial risk management

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

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

Statement of disclosure of information to auditor

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

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

Registered Office
100 Victoria Street
London
SW1E 5JL

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

L Miller , for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 30 September 2019

Registered and domiciled in England and Wales
Registered number: 04165856

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LS ONE NEW CHANGE LIMITED

Opinion

We have audited the financial statements of LS One New Change Limited (the 'Company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16, 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 2019 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.

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 directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Claire Johnson (Senior statutory auditor)

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

London

Date: 01 October 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £000	2018 £000
Revenue	4	**36,034**	35,036
Costs	4	**(10,493)**	(10,171)
Gross profit		**25,541**	24,865
Property management and administrative expenses	5	**(1,631)**	(1,656)
Net (deficit)/surplus on revaluation of investment properties	9	**(7,015)**	7,253
Operating profit		**16,895**	30,462
Interest expense	6	**(6,973)**	(6,854)
Profit before tax		**9,922**	23,608
Taxation	8	**1**	-
Profit and total comprehensive income for the financial year		**9,923**	23,608

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

All amounts are derived from continuing activities.

LS ONE NEW CHANGE LIMITED
REGISTERED NUMBER: 04165856

BALANCE SHEET
AS AT 31 MARCH 2019

	Notes	2019 £000	2018 £000
Non-current assets			
Investment properties	9	**636,190**	642,976
		636,190	642,976
Current assets			
Trade and other receivables	10	**21,145**	24,883
		21,145	24,883
Current liabilities			
Trade and other payables	11	**(11,724)**	(12,233)
Amounts owed to Group undertakings	12	**(185,547)**	(150,485)
		(197,271)	(162,718)
Non-current liabilities			
Obligations under finance leases	11,13	**(1,344)**	(1,344)
Net assets		**458,720**	503,797
Capital and reserves			
Share capital	14	**233,500**	233,500
Share premium		**100,000**	100,000
Retained earnings		**125,220**	170,297
Total equity		**458,720**	503,797

The financial statements on pages 6 to 18 were approved by the Board of Directors and were signed on its behalf by:

M R Worthington, for and on behalf of LS Director Limited
Director

Date: 30 September 2019

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

	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 April 2017	233,500	100,000	146,689	480,189
Total comprehensive income for the financial year	-	-	23,608	23,608
At 31 March 2018	**233,500**	**100,000**	**170,297**	**503,797**
Total comprehensive income for the financial year	-	-	9,923	9,923
Transactions with shareholders:				
Dividends	-	-	(55,000)	(55,000)
At 31 March 2019	**233,500**	**100,000**	**125,220**	**458,720**

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

1. Accounting policies

1.1 Basis of preparation

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

LS One New Change Limited (the 'Company') is a private company limited by shares and is incorporated, domiciled and registered in England and Wales (Registered number: 04165856). The nature of the Company's operations is set out in the Strategic Report on page 1. The results of the Company are included in the consolidated financial statements of Land Securities Group PLC which are available from the Company's registered office at 100 Victoria Street, London, SW1E 5JL.

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

1.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requ rements of IFRS 7 Financial Instruments: Disclosures
- the requ rements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requ rement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- the requ rements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requ rements of IAS 7 Statement of Cash Flows
- the requ rements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requ rements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

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

1.3 Investment properties

Investment properties are properties, either owned or leased by the Company, that are held either to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost including related transaction costs, and subsequently at fair value. Fair value is based on market value, as determined by a professional external valuer at each reporting date. The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the Statement of Comprehensive Income as a valuation surplus or deficit. Investment properties are presented on the Balance Sheet within non-current assets.

Properties are treated as acquired when the Company assumes control of the property. Capital expenditure on properties consists of costs of a capital nature, including costs associated with developments and refurbishments. Where a property is being developed or undergoing major refurbishment, interest costs associated with direct expenditure on the property are capitalised. The interest capitalised is calculated using the Company's weighted average cost of borrowings. Interest is capitalised from the commencement of the development work until the date of practical completion. Certain internal staff and associated costs directly attributable to the management of major schemes are also capitalised.

When the Company begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be held as an investment property. When the Company begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the Statement of Comprehensive Income. The re-measured amount becomes the deemed cost at which the property s then carried in trading properties.

Properties are treated as disposed when control of the property is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Company continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion.

The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the accounting period plus capital expenditure to the date of disposal. The profit on disposal of investment properties is presented separately on the face of the Statement of Comprehensive Income.

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

1. Accounting policies (continued)

1.4 Other property, plant and equipment

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

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

1.5 Intangible assets

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

1.6 Investment in a joint venture

Investments in a joint venture are carried at cost, less any repayment of joint venture capital and provision for impairment in value.

1.7 Investment in subsidiary undertakings

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

1.8 Other investments

Other investments are financial assets held at fair value. Changes to fair value are recorded within other comprehensive income.

1.9 Trading properties and long term development contracts

Trading properties are those properties held for sale, or those being developed with a view to sell. Trading properties are recorded at the lower of cost and net realisable value. The net realisable value of a trading property is determined by a professional external valuer at each reporting date. If the net realisable value of a trading property is lower than its carrying value, an impairment loss is recorded in the Statement of Comprehensive Income. If, in subsequent periods, the net realisable value of a trading property that was previously impaired increases above its carrying value, the impairment is reversed to align the carrying value of the property with the net realisable value. Trading properties are presented on the Balance Sheet within current assets.

Proceeds received on the sale of trading properties are recognised within Revenue, and the carrying value at the date of disposal is recognised within Costs.

Revenue on long-term development contracts is recognised according to the stage reached in the contract by reference to the value of work completed using the percentage of completion method. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be estimated reliably. The gross amount due from customers for contract work is shown as a receivable. The gross amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as a liability.

1.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value, subsequently at amortised cost and, where relevant, adjusted for the time value of money. The Company assesses on a forward-looking basis, the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. If collection is expected in more than one year, the balance is presented within non-current assets.

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

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

1.11 Cash and cash equivalents

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

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

1. **Accounting policies (continued)**

1.12 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.

1.13 Going concern

The directors believe 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 have received confirmation that Land Securities Group PLC intends to support the Company for at least one year after these financial statements are approved and signed.

1.14 Revenue

Rental income, including fixed rental uplifts, is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit out or similar costs, are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned.

The Company's revenue from contracts with customers, as defined in IFRS 15 includes service charge income, other property related income, trading property sales proceeds and long-term development contract income.

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

Other property related income includes development and asset management fees. These fees are recognised over time, using time elapsed as the input method which measures the benefit simultaneously received and consumed by the customer, over the period the development or asset management services are provided.

When property is let under a finance lease, the Company recognises a receivable equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining net investment in the finance lease and is recognised within revenue.

1.15 Expenses

Property and contract expenditure is expensed as incurred with the exception of expenditure on long-term development contracts (see 1.9 above).

Rental payments made under an operating lease are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are an integral part of the net consideration for the use of the property and also recognised on a straight-line basis.

Minimum lease payments payable on finance leases and operating leases accounted for as finance leases under IAS 40 are apportioned between finance expense and reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability. Contingent rents (as defined in 1.14 above) are charged as an expense in the periods in which they are incurred.

1.16 Impairment

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

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

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

1.17 Interest

Interest is accounted for on an accruals basis.

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

1. **Accounting policies (continued)**

1.18 Income taxation

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

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

1.19 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company is lessee

i) Operating lease – leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the Company on a straight-line basis over the period of the lease.

ii) Finance lease – leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised within investment properties at the commencement of the lease at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are subsequently carried at their fair value.

Company is lessor

i) Operating lease – properties leased out to tenants under operating leases are included in investment properties in the Balance Sheet.

ii) Finance lease – when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within operating leases.

1.20 Intercompany loans

Amounts due from Group undertakings

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

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

1.21 Trade and other payables

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

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

1. Accounting policies (continued)

1.22 Dividends

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

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

2. Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year, the impact of which is outlined below.

Changes in accounting policy

The Company has adopted IFRS 9 Financial Instruments on 1 April 2018. While some accounting policies have been amended on adoption of the standard, there have been no adjustments to the Company's Statement of Comprehensive Income or Balance Sheet. The new accounting policies are set out in nctes 1.8, 1.10 and 1.20.

The Company has adopted IFRS 15 Revenue from Contracts with Customers on 1 April 2018. The Company has elected to apply the standard on a full retrospective basis as permitted by IFRS 15. While some accounting policies have been amended on adoption of the standard, there have been no adjustments to the Company's Statement of Comprehensive Income or Balance Sheet.

Amendments to IFRS

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

3. Critical accounting judgements and key estimation uncertainty

The Company's significant accounting policies are stated in note 1 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

Key estimation uncertainty

(a) Investment property valuation

The Company uses the valuation performed by its external valuer, CBRE Limited, as the fair value of its investment properties.

The investment property valuation contains a number of assumptions upon which CBRE Limited has based its valuation of the Company's properties as at 31 March 2019. The assumptions on which the valuations have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK 2014 (revised April 2015). However, if any assumptions made by the property valuer prove to be false, this may mean that the value of the Company's properties differs from their valuation, which could have a material effect on the Company's financial condition.

(b) Trade and other receivables

The Company is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this by assessing on a forward-looking basis, the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses, the Company takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis.

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

4. Revenue

	2019 £000	2018 £000
Rental income (excluding lease incentives)	**30,496**	29,423
Adjustment for lease incentives	**(3,335)**	(2,607)
Rental income	**27,161**	26,816
Service charge income	**7,957**	7,460
Other property related income	**916**	760
	36,034	35,036
Costs		
Other direct property or contract expenditure	**(10,493)**	(10,171)
Gross Profit	**25,541**	24,865

Other direct property or contract expenditure are costs incurred in the direct maintenance and upkeep of investment properties. Void costs, which include costs relating to empty properties pending redevelopment and refurbishment, costs of investigating potential development schemes which do not proceed, and costs in respect of housekeepers and outside staff directly responsible for property services, are also included.

5. Property management and administrative expenses

Property management and administrative expenses consist of all costs of managing the property, together with the costs of rent reviews and renewals, re-lettings of the property and management services as explained in note (a) below. No staff costs or overheads are capitalised.

(a) Management services

The Company had no employees during the year (2018: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, which is a fellow group undertaking, charges for which amount to **£1,631,000** (2018: £1,656,000).

(b) Directors' remuneration

The Group 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 (2018: £Nil).

(c) Auditor remuneration

The Group auditor's remuneration is borne by Land Securities Properties Limited. The proportion of the remuneration which relates to the Company amounts to **£1,700** (2018: £1,700). No non-audit services were provided to the Company during the year (2018: £Nil).

(d) Operating lease rentals

The operating lease rentals for land and buildings for the year amounts to **£569,000** (2018: £593,000).

6. Interest expense

	2019 £000	2018 £000
Interest on amounts due from Group undertakings	**6,973**	6,584
Total interest expense	**6,973**	6,584

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

7. Dividends

	2019 Pence Per share	2019 £000	2018 Pence Per share	2018 £000
Ordinary - interim	24	55,000	-	-
	24	55,000	-	-

8. Income tax

	2019 £000	2018 £000
Corporation tax		
Income tax on profit for the year	(1)	-
Total income tax credit in the Statement of Comprehensive Income	(1)	-

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	9,922	23,608
Profit before tax multiplied by UK corporation tax rate	1,885	4,486
Effects of:		
Exempt property rental profits in the year	(3,218)	(3,108)
Exempt property revaluation deficit/(surplus) in the year	1,333	(1,378)
Adjustments in respect of prior years	(1)	-
Total tax credit in the Statement of Comprehensive Income (as above)	(1)	-

Land Securities Group PLC is a Real Estate Investment Trust (REIT). As a result, the Company does not pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Company continue to be subject to corporation tax as normal.

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

9. Investment properties

	2019 £000	2018 £000
Net book value at the beginning of the year	**642,976**	635,110
Capital expenditure	**229**	613
(Deficit)/surplus on revaluation of investment properties	**(7,015)**	7,253
Net book value at 31 March	**636,190**	642,976

The historical cost of the investment properties is **£528,564,000** (2018: £528,335,000). The difference between the carrying amount and historical cost is a surplus of **£107,626,000** (2018: £114,641,000). The market value has been adjusted for tenant lease incentives for an amount of **£17,354,000** (2018: £ 20,768,000). The valuations are prepared by CBRE Limited, independent valuers, in accordance with RICS valuation standards.

The above investment properties act as security against listed debt recognised within a fellow Land Securities Group PLC subsidiary.

10. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	**1,828**	2,459
Less: allowance for doubtful accounts	**(230)**	(75)
Total current trade receivables	**1,598**	2,384
Other receivables	**1,010**	756
Accrued income	**15,033**	17,761
Prepayments	**3,504**	3,982
Total trade and other receivables	**21,145**	24,883

11. Trade and other payables

	2019 £000	2018 £000
Capital payables	**165**	-
Social security and other taxes	**1,666**	1,592
Accruals	**982**	2,059
Deferred income	**8,911**	8,582
Total current trade and other payables	**11,724**	12,233
Non-current obligations under finance leases	**1,344**	1,344
Total trade and other payables	**13,068**	13,577

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

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

12. Amounts owed to Group undertakings

	2019 £000	2018 £000
Amounts owed to Group undertakings - fellow subsidiary	**185,547**	150,485
Total amounts owed to Group undertakings	**185,547**	150,485

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

13. Obligations under finance leases

Future minimum lease payments for:

	2019 £000	2018 £000
Not later than one year	**76**	76
Later than one year but not more than five years	**304**	304
More than five years	**10,089**	10,165
	10,469	10,545
Future finance charges on finance leases	**(9,125)**	(9,201)
Present value of finance lease liabilities	**1,344**	1,344

The present value of minimum lease payments is analysed as follows:

	2019 £000	2018 £000
More than five years	**1,344**	1,344
	1,344	1,344

The Company has entered into leases on its property portfolio. The commercial property leases typically have lease terms between 5 and 15 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

The fair value of the Company's lease obligations, using a discount rate of **2.7%** (2018: 2.4%), is **£2,755,000** (2018: £3,097,000).

14. Share capital

	Authorised and issued		Allotted and fully paid	
	2019 **Number**	2018 Number	**2019** **£000**	2018 £000
Ordinary shares of £1.00 each	**233,500,001**	233,500,001	**233,500**	233,500
	233,500,001	233,500,001	**233,500**	233,500

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

15. Operating lease arrangements

The Company earns rental income by leasing its investment and operating properties to tenants under non-cancellable operating leases.

At the Balance Sheet date, the Company had contracted with tenants to receive the following future minimum lease payments:

	2019	2018
	£000	£000
Not later than one year	**30,467**	30,160
Later than one year but not later than five years	**90,646**	101,014
Later than five years	**97,053**	118,242
	218,166	249,416

The total of contingent rents recognised as income during the year was **£937,000** (2018: £928,000).

16. Parent company

The immediate parent company is LS London Holdings One Limited.

The ultimate parent company and controlling party at 31 March 2019 was Land Securities Group PLC, which is registered in England and Wales. This is the largest parent company of the Group to consolidate these financial statements.

Consolidated financial statements for the year ended 31 March 2019 for Land Securities Group PLC can be obtained from the Company Secretary, 100 Victoria Street, London, SW1E 5JL. This is the largest and smallest Group to include these accounts in its consolidated financial statements.