

LAND SECURITIES PLC

FINANCIAL STATEMENTS

LAND SECURITIES PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors of Land Securities PLC (the 'Company') present their Strategic Report and the audited financial statements for the year ended 31 March 2021.

Results for the year

The results are set out in the Statement of Comprehensive Income on page 8.

Review of the business

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

During the year, the Company purchased **£11,229,000** (2020: £196,252,000) of its MTNs for a premium of **£2,706,000** (2020: £58,847,000) on behalf of Land Securities Group PLC and its subsidiaries (the 'Group' or 'Land Securities Group PLC'). The Company purchased **£7,995,000** of its A5 MTN due in 2027, and **£3,234,000** of its A7 MTN due in 2032. In the previous year, the Company had purchased A4, A5, A6, A7, A10, and A11 MTNs.

Directors' statement of compliance with duty to promote the success of the Company

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Key performance indicators

The directors assess the performance of the Company by reference to the carrying value of the Company's investments and loss or profit before tax.

Principal risks and uncertainties

The principal risk facing the Company is that poor performance of its investments might have a material impact on the asset valuation and profit before tax in the financial statements. The Company's performance during the year indicates a satisfactory performance of the investments held, considering the ongoing impact of the Covid-19 pandemic. Looking forward, the directors will continue to closely monitor the impact of the Covid-19 pandemic and other changes in the operating environment on the performance of the investments held.

Financial risk management

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

The Company faces interest rate risk as the unsecured external borrowings have floating interest rates. Management periodically reviews the amount of interest within the Company in order to monitor the effect of interest rate change.

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 the Group as a whole, is provided in the Group's Annual Report, which does not form part of this report.

LAND SECURITIES PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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 17). 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 2021, 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 by:

E Miles, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 19 August 2021

Registered and domiciled in England and Wales

Registered number: 00551412

LAND SECURITIES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors of Land Securities PLC (the 'Company') present their report and the audited financial statements for the year ended 31 March 2021.

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.

Directors' engagement statement

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

Principal activity

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

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 August 2022 and confirmation has been received that Land Securities Group PLC will support the Company until at least this date. It is understood that this support will remain in place until revoked and there is no expectation this will occur in the foreseeable future. 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 a Group level, considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Following the deterioration in cash collections over the year ended 31 March 2021 as a result of Covid-19, further stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for the period to 31 August 2022. 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 2021.

Dividend

The directors do not recommend the payment of a dividend for the year ended 31 March 2021 (2020: £Nil).

Directors

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

M F Greenslade (resigned 31 May 2021)
M R Wood (resigned 30 June 2021)
M P Cadwaladr (resigned 28 June 2021)
R C Futter
R Shearer
M Allan (appointed 14 April 2020)
J S Gillard (appointed 30 June 2021)
V K Simms (appointed 31 May 2021)

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.

LAND SECURITIES PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

Financial risk management

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

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 by:

E Miles, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 19 August 2021

Registered and domiciled in England and Wales
Registered number: 00551412

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

Opinion

We have audited the financial statements of Land Securities PLC (the 'Company') for the year ended 31 March 2021 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 2021 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 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

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 through the period to 31 August 2022.

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.

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 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.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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 and the Companies Act 2006) and the relevant tax regulations in the United Kingdom, including the UK REIT regulations.
- We understood how the Company is complying with those frameworks through enquiry with the Company and by identifying the Company's policies and procedures regarding compliance with laws and regulations. We also identified those members of the Company who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance.
- 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 impairment of investment in subsidiary undertakings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
 - o 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 affect the financial statements;
 - o Reading minutes of meetings of those charged with governance;
 - o Obtaining and reading correspondence from legal and regulatory bodies, including HMRC; and
 - o Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding the business.
- In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with all applicable reporting requirements.

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

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

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: 19 August 2021

LAND SECURITIES PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £000	2020 £000
Impairment of investment in subsidiary undertakings	8	(932,891)	-
Operating loss		(932,891)	-
Interest income	5	100,918	53,169
Interest expense	5	(23)	(106,790)
Dividends receivable		-	712
Loss before tax		(831,996)	(52,909)
Taxation	6	(39,625)	10,277
Loss and total comprehensive deficit for the financial year		(871,621)	(42,632)

There were no recognised gains or losses for 2021 or 2020 other than those included in the Statement of Comprehensive Income.

All amounts are derived from continuing activities.

LAND SECURITIES PLC
REGISTERED NUMBER: 00551412

BALANCE SHEET
AS AT 31 MARCH 2021

	Notes	2021 £000	2020 £000
Non-current assets			
Held to maturity investments	7	2,328,521	2,370,820
Investments in subsidiary undertakings	8	4,319,053	5,251,943
		<u>6,647,574</u>	<u>7,622,763</u>
Current assets			
Trade and other receivables	9	6,650	6,645
Amounts due from Group undertakings	11	189,305	152,678
Cash and cash equivalents	12	14,971	1,159
		<u>210,926</u>	<u>160,482</u>
Current liabilities			
Trade and other payables	13	(19,170)	(1,363)
Borrowings	14	(905,398)	(976,329)
		<u>(924,568)</u>	<u>(977,692)</u>
Net assets		<u><u>5,933,932</u></u>	<u><u>6,805,553</u></u>
Capital and reserves			
Share capital	15	530,791	530,791
Share premium		357,157	357,157
Capital redemption reserve		35,991	35,991
Retained earnings		5,009,993	5,881,614
Total equity		<u><u>5,933,932</u></u>	<u><u>6,805,553</u></u>

The financial statements on pages 8 to 18 were approved by the Board and were signed on its behalf by:

J S Gillard

Date: 19 August 2021

LAND SECURITIES PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 1 April 2019	530,791	357,157	35,991	5,924,246	6,848,185
Total comprehensive loss for the financial year	-	-	-	(42,632)	(42,632)
At 31 March 2020	530,791	357,157	35,991	5,881,614	6,805,553
Total comprehensive loss for the financial year	-	-	-	(871,621)	(871,621)
At 31 March 2021	530,791	357,157	35,991	5,009,993	5,933,932

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

1. Accounting policies

1.1 Basis of preparation

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

Land Securities Plc (the 'Company') is a private company limited by shares and is incorporated, domiciled and registered in England and Wales (Registered number: 00551412). 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 2021. The financial statements are prepared in Pounds Sterling (£) and are rounded to the nearest thousand pounds (£000).

1.2 Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary of Land Securities Group PLC, a Company incorporated in England and Wales whose consolidated financial statements are publicly available.

1.3 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - 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 requirements of paragraphs 10(d), 10(f), 16, 38A, 36B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- 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 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.

1.4 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.

1.5 Held to maturity investments

Held to maturity investments are recognised when the Company has both a positive intention to hold the investment to maturity and has the financial resources to do so. They are recognised initially at cost and subsequently at amortised cost using the effective interest method.

Held to maturity investments held by the Company are Medium Term Notes (MTNs) that are secured on assets of Land Securities Group PLC.

1.6 Other Investments

Other investments are financial assets held at fair value. Changes to fair value are recorded within Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies (continued)

1.7 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 and 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. 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, likely deferrals of payments due, rent concessions 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.

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.

1.8 Cash and cash equivalents

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

1.9 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.

1.10 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 August 2022 and confirmation has been received that Land Securities Group PLC will support the Company until at least this date. It is understood that this support will remain in place until revoked and there is no expectation this will occur in the foreseeable future. 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 a Group level, considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Following the deterioration in cash collections over the year ended 31 March 2021 as a result of Covid-19, further stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for the period to 31 August 2022. 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 2021.

1.11 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.

1.12 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

1. Accounting policies (continued)

1.13 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.

1.14 Borrowings

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

1.15 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.

1.16 Dividends

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

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. 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

Amounts due from Group undertakings

The Company is required to judge when there is sufficient objective evidence to require the impairment of amounts due from Group undertakings. It does this by assessing on a forward-looking basis, the expected credit losses associated with its amounts due from Group undertakings. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the amounts due. In determining the expected credit losses, the Company takes into account any future expectations of likely default events based on the level of capitalisation of the counterparty, which is a fellow subsidiary undertaking of Land Securities Group PLC.

LAND SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

4. Management and administrative expenses

(a) Management services

The Company had no employees during the year (2020: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, a fellow subsidiary undertaking, charges for which amount to **£Nil** (2020: £Nil).

(b) Directors' remuneration

The Group's directors' emoluments are borne by Land Securities Properties Limited. The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company (2020: £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 **£2,630** (2020: £1,700). No non-audit services were provided to the Company during the year (2020: None).

5. Net interest income

	2021 £000	2020 £000
Interest expense		
Short term borrowings	(23)	(106,790)
	<u>(23)</u>	<u>(106,790)</u>
Interest income		
Interest receivable on short term borrowings	53,608	-
Interest receivable on loan investments	45,813	46,188
Other interest	12	25
Interest on amounts due from Group undertakings	1,485	6,956
	<u>100,918</u>	<u>53,169</u>
Net interest income / (expense)	<u>100,895</u>	<u>(53,621)</u>

Interest receivable from the Group's MTNs of **£102,046,000** (2020: £104,406,000) has been offset by the amortisation of premiums incurred purchasing the Group's MTNs. The amortisation, calculated using the effective interest method, amounted to **£56,233,000** (2020: £58,218,000). See note 7 for further details.

6. Income tax

	2021 £000	2020 £000
Corporation tax		
Income tax on loss for the year	39,625	(10,188)
Tax on disposal of discontinued operation	-	(89)
Total income tax charge/(credit) in the Statement of Comprehensive Income	<u>39,625</u>	<u>(10,277)</u>

LAND SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. Income tax (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of **19%** (2020 - 19%) as set out below:

	2021 £000	2020 £000
Loss before tax	<u>(831,996)</u>	<u>(52,909)</u>
Loss before tax multiplied by UK corporation tax rate	(158,079)	(10,053)
Effects of:		
Adjustments in respect of prior years	20,455	(89)
Non-taxable income	<u>177,249</u>	<u>(135)</u>
Total tax charge/(credit) for the year	<u>39,625</u>	<u>(10,277)</u>

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

7. Held to maturity investments

	At 1 April				At 31 March	
	2020	Purchases	Premium	Amortisation	Disposal	2021
	£000	£000	£000	£000	£000	£000
A10 - 4.875% MTN due in 2025	322,935	-	-	(9,190)	-	313,745
A4 - 5.391% MTN due in 2026	220,082	-	-	(6,579)	-	213,503
A5 - 5.391% MTN due in 2027	600,755	7,995	1,497	(16,998)	-	593,249
A6 - 5.376% MTN due in 2029	312,642	-	-	(7,586)	-	305,056
A7 - 5.396% MTN due in 2032	319,951	3,234	1,209	(7,035)	-	317,359
A11 - 5.125% MTN due in 2036	<u>594,455</u>	<u>-</u>	<u>-</u>	<u>(8,846)</u>	<u>-</u>	<u>585,609</u>
	<u>2,370,820</u>	<u>11,229</u>	<u>2,706</u>	<u>(56,234)</u>	<u>-</u>	<u>2,328,521</u>

Held to maturity investments are recognised when the Company has both a positive intention to hold the investment to maturity and has the financial resources to do so. They are recognised initially at cost and subsequently at amortised cost using the effective interest method. Held to maturity investments held by the Company are MTNs that are secured on the assets of Land Securities Group PLC.

During the year, the Company purchased **£11,229,000** (2020: £196,252,000) of its MTNs for a premium of **£2,706,000** (2020: £58,847,000) on behalf of Land Securities Group PLC and its subsidiaries. The Company purchased **£7,995,000** of its A5 MTN due in 2027, and **£3,234,000** of its A7 MTN due in 2032. In the previous year, the Company had purchased A4, A5, A6, A7, A10 and A11 MTNs.

The table above summarises the aggregate purchases, together with premiums paid and amortisation recognised in the current financial year.

LAND SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8. Investment in subsidiary undertakings

	2021 £000	2020 £000
At the beginning of the year	5,251,943	5,251,943
Impairment charge	(932,891)	-
At 31 March	4,319,052	5,251,943

During the year, the company received **£Nil** (2020: £712,000) of dividend income from its investment in subsidiary undertakings.

The total cost of investment in subsidiary undertakings is **£5,251,943,000** (2020: £5,251,943,000). The total provision for impairment of investment in subsidiary undertakings is **£932,891,000** (2020: £Nil).

The directors believe that the carrying value of the investment is supported by the fair value of the subsidiary undertakings.

The subsidiary undertakings of the Company are:

Name	Class of shares owned	Holding percentage	Principal country of incorporation	Nature of business
Land Securities (Finance) Limited	£1 Ordinary shares	99.99%	England	Financing
Land Securities Portfolio Management Limited	£1 Ordinary shares	100%	England	Investment holding
LS Property Finance Company Limited	£1 Ordinary shares	100%	England	Financing
Land Securities Capital Markets PLC	£1 Ordinary shares	99.99%	England	Financing
LS London Holdings One Limited	£1 Ordinary shares	100%	England	Investment holding
LS New Street Square Investments Limited	£1 Ordinary shares	100%	England	Domant

All subsidiary undertakings are registered at 100 Victoria Street, London, SW1E 5JL.

9. Trade and other receivables

	2021 £000	2020 £000
Accrued income	6,650	6,645
Total trade and other receivables	6,650	6,645

10. Other investments

The Company holds a 0.0001% share in Ravensett Properties Limited and 0.000001% share in Ravenside Investments Limited.

The Company is not deemed to control Ravensett Properties Limited and Ravenside Investments Limited as its powers of control are limited.

The directors believe that the carrying value of the investments are supported by their underlying net assets.

11. Amounts due from Group undertakings

	2021 £000	2020 £000
Amounts due from Group undertakings - fellow subsidiary	189,305	152,678
Total amounts due from Group undertakings	189,305	152,678

The unsecured amounts due from Group undertakings are repayable on demand with no fixed repayment date. Interest is charged at **3.6%** per annum (2020: 4.1%).

LAND SECURITIES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

12. Cash and cash equivalents

	2021	2020
	£000	£000
Cash and cash equivalents	14,971	1,159
Total cash and cash equivalents	14,971	1,159

13. Trade and other payables

	2021	2020
	£000	£000
Accruals	-	1,363
Current tax liabilities	19,170	-
Total trade and other payables	19,170	1,363

14. Borrowings

	Nominal/notional value		Fair value		Book value	
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
Commercial paper						
Sterling	84,000	4,000	84,000	4,000	84,000	4,000
Euro	640,014	795,622	640,014	795,622	640,014	795,622
US Dollar	181,384	176,707	181,384	176,707	181,384	176,707
	905,398	976,329	905,398	976,329	905,398	976,329

15. Share capital

	Authorised and issued		Allotted and fully paid	
	2021	2020	2021	2020
	Number	Number	£000	£000
Ordinary shares of £1.00 each	530,791,385	530,791,385	530,791	530,791
Deferred ordinary shares of £1.00 each	1	1	-	-
	530,791,386	530,791,386	530,791	530,791

The deferred ordinary share carries no rights to attend or vote at a general meeting of the Company. It is also not entitled to receive a dividend. However, if a dividend declared on the ordinary shares is an amount in excess of £1,000.00 per share, the deferred ordinary share is then entitled to receive a fixed dividend of £0.01. The likelihood of this occurring is remote. On winding up the holder of the deferred share is entitled to repayment of the amount paid up on the share after the paid up ordinary share capital has been paid. The share does not have the right to participate in the assets of the Company on winding up.

16. Contingencies

The Company has contingent liabilities in respect of legal claims, guarantees, and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

LAND SECURITIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

17. Parent company

The immediate parent company is Land Securities Intermediate Limited.

The ultimate parent company and controlling party at 31 March 2021 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 2021 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.

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