Registered number: 00001160

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The directors of The City of London Real Property Company Limited (the 'Company') present their Strategic Report and the audited financial statements for the year ended 31 March 2022.

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 property investment and investment holding in the United Kingdom. No changes in the Company's principal activity are anticipated in the foreseeable future.

Key performance indicators

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

Principal risks and uncertainties

The principal risk facing the Company is that poor performance of the 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, considering the impact of the wider macro-economic environment. Looking forward, the directors will continue to closely monitor the impact of the wider macro-economic environment and other changes in the operating environment on the performance of the investment properties.

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, liquidity risk and interest rate risk 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 amounts due from Group undertakings and therefore the credit risk it faces is primarily attributable to its trade receivables and amounts due from Group undertakings. 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 and amounts due from Group undertakings. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable and amounts due from Group undertakings. 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, 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. 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 usually considered to be low. To limit the Company's exposure to credit risk on trade receivables, 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. In determining the expected credit loss of amounts due from Group undertakings, the Company takes into account any future expectations of likely default events based on the level of capitalisation of the counterparty, which is a fellow subsidiary undertaking of Land Securities Group PLC.

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.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

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 2022, available on the Group's website, www.landsec.com.

At a Company level, the Directors take the interests of stakeholders, namely the Company's tenants, the Group as the Company's 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 stakeholders. 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.

M Smout, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 16 March 2023

Registered and domiciled in England and Wales

Registered number: 00001160

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The directors of The City of London Real Property Company Limited (the 'Company') present their report and the audited financial statements for the year ended 31 March 2022.

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 acccunting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the 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 Section 172(1) statement in the Strategic Report.

Principal activity, review of the business and future developments

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

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

Going concern

The directors have determined that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Land Securities Group PLC (together with its subsidiaries referred to as the 'Group'). The directors' going concern assessment covers the period to 31 March 2024 and confirmation has been received that Land Securities Group PLC will support the Company until this date so long as the Company remains a subsidiary of Land Securities Group PLC. If the Company was sold within the next 12 months from 31 March 2023, confirmation has been received that Land Securities Group PLC would ensure the Company remains in a position to continue as a going concern at the point of sale. The Company's ability to meet its future liabilities is therefore dependent on the financial performance, position and liquidity of the Group as a whole. At the Group level, considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for the period to 31 March 2024. This stress testing modelled a scenario with materially reduced levels of cash receipts over the next 12 months. Based on these considerations, together with available market information and the directors' knowledge and experience of the Company, the directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2022.

Results for the year and dividend

Results for the year are disclosed in the Strategic Report.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: £Nil) in addition to the interim dividend of **£800,000,000** (2021: £Nil) paid on 21 December 2021, making a total dividend for the year of **£800,000,000** (2021: £Nil).

Directors

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

Land Securities Management Services Limited
LS Director Limited
M C Allan (resigned 11 May 2022)
M R Worthington (appointed 11 May 2022)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

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.

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.

M Smout, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 16 March 2023

Registered and domiciled in England and Wales
Registered number: 00001160

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

Opinion

We have audited the financial statements of The City of London Real Property Company Limited (the 'Company') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18, 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 2022 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. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED (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 Strategic Report or 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 valuation of investment properties, revenue recognition, including the timing of the revenue recognition and treatment of lease incentives, impairment of investment in subsidiary undertakings and impairment of amounts due from group undertakings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
    - Enquiry of Management, and when appropriate, those charged with governance of the Company, regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
    - Reading minutes of the meetings of those charged with governance;
    - Obtaining and reading correspondence from legal and regulatory bodies, including HMRC; and
    - Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding the business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED (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.

Graeme Downes (Senior statutory auditor)

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

London

Date: 20 March 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £000	2021 £000
Revenue	4	**45,922**	44,033
Costs	4	**(10,009)**	(9,479)
Gross profit		**35,913**	34,554
Dividend income		-	1,000
Property management and administrative expenses	5	**(6,138)**	(3,245)
(Loss)/Profit on disposal of subsidiaries	9	**(173)**	301,516
Net surplus/(deficit) on revaluation of investment properties	8	**52,489**	(52,094)
Operating profit		**82,091**	281,731
Interest income	6	**13,653**	4,638
Profit before tax		**95,744**	286,369
Taxation	7	**(2,594)**	(881)
Profit and total comprehensive income for the financial year		**93,150**	285,488

There were no recognised gains or losses for 2022 or 2021 other than those included in the Statement of Comprehensive Income.

All amounts are derived from continuing activities.

BALANCE SHEET
AS AT 31 MARCH 2022

	Notes	2022 £000	2021 £000
Non-current assets			
Investment properties	8	**838,516**	785,335
Investment in subsidiary undertakings	9	**195,000**	195,000
		1,033,516	980,335
Current assets			
Trade and other receivables	10	**17,750**	20,930
Amounts due from Group undertakings	11	**-**	385,070
		17,750	406,000
Current liabilities			
Trade and other payables	12	**(20,648)**	(15,570)
Amounts owed to Group undertakings	13	**(366,703)**	-
		(387,351)	(15,570)
Non-current liabilities			
Trade and other payables	12, 14	**(11,059)**	(11,059)
Net assets		**652,856**	1,359,706
Capital and reserves			
Share capital	15	**100,000**	100,000
Retained earnings		**552,856**	1,259,706
Total equity		**652,856**	1,359,706

The financial statements on pages 8 to 21 were approved by the Board of Directors and were signed on its behalf by:

E Gillbe, for and on behalf of LS Director Limited
Director

Date: 16 March 2023

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 April 2020	100,000	974,218	1,074,218
Total comprehensive income for the financial year	-	285,488	285,488
At 31 March 2021	**100,000**	**1,259,706**	**1,359,706**
Total comprehensive income for the financial year	-	93,150	93,150
Dividends	-	(800,000)	(800,000)
At 31 March 2022	**100,000**	**552,856**	**652,856**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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.

The City of London Real Property Company Limited (the 'Company') is a private company limited by shares and is incorporated, domiciled and registered in England and Wales (Registered number: 00001160). 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 2022. 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 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.

1.4 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. The total staff and associated costs are capitalised based on the proportion of time spent on the relevant scheme. Internal staff costs are capitalised from the date it is determined to be probable that the development will progress until the date of practical completion.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1. Accounting policies (continued)

1.4 Investment properties (continued)

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.

1.5 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 (see 1.11).

1.6 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. Where a concession is agreed with a customer after the due date for the rent, this amount is recognised as an impairment of the related trade receivable.

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.

1.7 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.

1.8 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 (together with its subsidiaries referred to as the 'Group'). The directors' going concern assessment covers the period to 31 March 2024 and confirmation has been received that Land Securities Group PLC will support the Company until this date so long as the Company remains a subsidiary of Land Securities Group PLC. If the Company was sold within the next 12 months from 31 March 2023, confirmation has been received that Land Securities Group PLC would ensure the Company remains in a position to continue as a going concern at the point of sale. The Company's ability to meet its future liabilities is therefore dependent on the financial performance, position and liquidity of the Group as a whole. At the Group level, considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for the period to 31 March 2024. This stress testing modelled a scenario with materially reduced levels of cash receipts over the next 12 months. Based on these considerations, together with available market information and the directors' knowledge and experience of the Company, the directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2022.

1.9 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. Where the total consideration due under a lease is modified, for example, where a concession is granted to a tenant prior to the date the conceded rent falls due, the revised total amount due under the lease is recognised on a straight-line basis over the remaining term of the lease. 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. Where a single payment is received from a tenant to cover both rent and service charge, the service charge component is separated and reported as service charge income.

The Company's revenue from contracts with customers, as defined in IFRS 15, includes service charge income and management fees.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1. **Accounting policies (continued)**

1.10 Expenses

Property and contract expenditure is expensed as incurred.

Minimum lease payments on leases accounted for under IFRS 16 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 1.9 above) are charged as an expense in the periods in which they are incurred.

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 Interest

Interest is accounted for on an accruals basis.

1.13 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.

1.14 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

Where the Company is a lessee, a right-of-use asset is recognised at the commencement date of the lease and accounted for as investment property. Initially, the cost of investment properties held under leases includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The investment properties held under leases are subsequently carried at their fair value. A corresponding liability is recorded within borrowings.

Lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses as incurred. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the lease payments with an equal and opposite adjustment recognised in the right-of-use asset, to the extent that this does not reduce the right-of-use asset below a nil value.

Company is lessor

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

Lease income is recognised over the period of the lease, reflecting a constant 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. Accounting policies (continued)

1.15 Intercompany loans

Amounts owed to Group undertakings

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

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.

1.16 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.

1.17 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.

1.18 Share capital

Ordinary shares are classified as equity.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Estimates

(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 valuation of investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Company places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. The assumptions upon which CBRE Limited has based its valuation of the Company's properties as at 31 March 2022 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. However, if any assumptions made by the external valuer prove to be inaccurate, 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, 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.

The Company's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments, in particular, the assessment of expected insolvency filings or company voluntary arrangements, likely deferrals of payments due and rent concessions. As a result, the value of the provisions for impairment of the Company's trade receivables are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate.

(c) Impairment of investment in subsidiary undertakings

The Company is required to judge when there is sufficient objective evidence to require the impairment of investments in subsidiaries. It does this by assessing the net asset value of each subsidiary undertaking as at year end. A provision for impairment is made if the net asset value of the subsidiary undertaking is lower than the carrying amount of the investment recorded by the Company.

4. Revenue and costs

	2022	2021
	£000	£000
Rental income (excluding lease incentives)	**42,471**	40,926
Adjustment for lease incentives	**(4,135)**	(3,582)
Rental income	**38,336**	37,344
Service charge income	**7,028**	6,187
Other property related income	**558**	502
	45,922	44,033
Costs		
Direct property or contract expenditure	**(10,009)**	(9,479)
Gross profit	**35,913**	34,554

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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 (2021: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, a fellow Group undertaking, charges for which amount to **£6,138,000** (2021: £3,245,000).

(b) Directors' remuneration

The Group's directors' emoluments are borne by Land Securities Properties Limited. The directors of the Company, who are key management personnel of the Company, received no emoluments from Land Securities Properties Limited for their services to the Company (2021: £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** (2021: £2,630). No non-audit services were provided to the Company during the year (2021: None).

6. Interest income

	2022	2021
	£000	£000
Interest income		
Interest on amounts due from Group undertakings	**13,653**	4,638
Total interest income	**13,653**	4,638

Included within direct property or contract expenditure (note 4) is head lease interest payable of **£609,000** (2021: £609,000).

7. Income tax

	2022	2021
	£000	£000
Corporation tax		
Income tax on profit for the year	**2,594**	881
Total income tax on profit in the Statement of Comprehensive Income	**2,594**	881

7. Income tax (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit before tax	**95,744**	286,369
Profit before tax multiplied by UK corporation tax rate	**18,191**	54,410
Effects of:		
Exempt property rental profits in the year	**(5,658)**	(5,949)
Non-taxable income	**34**	(57,478)
Exempt property revaluation (surplus)/deficit in the year	**(9,973)**	9,898
Total tax charge in the Statement of Comprehensive Income (as above)	**2,594**	881

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.

8. Investment properties

	2022 £000	2021 £000
Net book value at the beginning of the year	**785,335**	832,652
Additions	**692**	4,777
Surplus/(deficit) on revaluation of investment properties	**52,489**	(52,094)
Net book value at 31 March	**838,516**	785,335

The historical cost of the investment properties is **£422,119,000** (2021: £421,427,000). The difference between the carrying amount and historical cost is a surplus of **£416,397,000** (2021: £363,908,000). The market value has been adjusted by deducting tenant lease incentives amounting to **£14,741,000** (2021: £ 18,921,000) and by including head leases capitalised amounting to **£11,059,000** (2021: £11,059,000). The valuations are prepared by CBRE Limited, external valuers, in accordance with RICS valuation standards.

At 31 March 2022 the cumulative interest capitalised in relation to investment properties under development amounts to **£15,572,000** (2021: £15,572,000).

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

9. Investment in subsidiary undertakings

	2022 £000	2021 £000
At the beginning of the financial year	**195,000**	235,000
Acquisitions	-	60,000
Disposals	-	(50,000)
Return of capital	-	(50,000)
At 31 March	**195,000**	195,000

The total cost of investment in subsidiary undertakings is **£195,000,000** (2021: £195,000,000). The total provision for impairment of investment in subsidiary undertakings is **£Nil** (2021: £Nil).

During the prior year, the Company had acquired interest in LS Old Broad Street for a consideration of **£60,000,000**.

During the prior year, the Company had disposed of its 100% interest in LS Ludgate (No. 1) Limited and LS Ludgate (No. 2) Limited. The Company received **£353,516,000** from the sale of LS Ludgate (No. 1) Limited and LS Ludgate (No. 2) Limited during the prior year, which had resulted in a profit on disposal of **£301,516,000**.

During the prior year, subsidiary undertakings returned **£50,000,000** (2020: £Nil) of capital to the Company.

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

The subsidiary undertakings of the Company as at 31 March 2022 are:

Name	**Class of shares owned**	**Holding percentage**	**Principal country of incorporation**	**Nature of business**
LS 1 New Street Square Limited	£1 Ordinary shares	100%	England	Property investment
LS 1 New Street Square Developer Limited	£1 Ordinary shares	100%	England	Dormant
LS Old Broad Street Limited	£1 Ordinary shares	100%	England	Dormant
LS Hill House Developer Limited	£1 Ordinary shares	100%	England	Dormant
LS Moorgate Limited	£1 Ordinary shares	100%	England	Property investment

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

10. Trade and other receivables

	2022 £000	2021 £000
Trade receivables	**2,596**	2,371
Less: allowance for doubtful accounts	**(1,052)**	(1,103)
Total trade receivables	**1,544**	1,268
Other receivables	**495**	4
Tenant lease incentives	**14,741**	17,686
Prepayments	**970**	1,972
Total trade and other receivables	**17,750**	20,930

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11. Amounts due from Group undertakings

	2022 £000	2021 £000
Amounts due from Group undertakings - fellow subsidiary	-	385,070
Total amounts due from Group undertakings	**-**	385,070

The unsecured amounts due from Group undertakings were repaid during the year. Interest was charged at **3.7%** per annum until the repayment date (2021: 3.6%).

12. Trade and other payables

	2022 £000	2021 £000
Capital payables	**66**	835
Accruals	**5,217**	1,367
Deferred ncome	**10,935**	10,686
Current tax liabilities	**2,594**	881
Social security, VAT and other taxes	**1,836**	1,801
Total current trade and other payables	**20,648**	15,570
Non-current obligations under head leases (Note 14)	**11,059**	11,059
Total trade and other payables	**31,707**	26,629

Deferred income principally relates to rents received in advance.

13. Amounts owed to Group undertakings

	2022 £000	2021 £000
Amounts owed to Group undertakings - fellow subsidiary	**366,703**	-
Total amounts owed to Group undertakings	**366,703**	-

The unsecured amounts due from Group undertakings were repaid during the year. Interest is charged at **3.7%** per annum (2021: nil%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

14. Obligation under head leases

Future minimum lease payments for:

	2022	2021
	£000	£000
Not later than one year	609	609
Later than one year but not more than five years	2,436	2,436
More than five years	79,339	79,947
	82,384	82,992
Future finance charges on head leases	(71,325)	(71,933)
Present value of head lease liabilities	11,059	11,059

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

	2022	2021
	£000	£000
Later than one year but not more than five years	2	2
More than five years	11,057	11,057
	11,059	11,059

The fair value of the Company's lease obligations, using a discount rate of **2.2%** (2021: 2.2%), is **£26,504,000** (2021: £26,637,000).

15. Share capital

	Authorised and issued		Allotted and fully paid	
	2022	2021	2022	2021
	Number	Number	£000	£000
Ordinary shares of £1.00 each	99,999,808	99,999,808	100,000	100,000
	99,999,808	99,999,808	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

16. Operating lease arrangements

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

At 31 March, the Company had contracted with tenants to receive the following future minimum lease payments:

	2022 **£000**	2021 £000
Not later than one year	**32,789**	40,686
Later than one year but not more than two years	**32,548**	32,961
Later than two years but not more than three years	**33,550**	29,228
Later than three years but not more than four years	**26,470**	29,281
Later than four years but not more than five years	21,174	22,171
Later than five years	**98,919**	101,282
	245,450	255,609

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 total of contingent rents recognised as income during the year was **£61,000** (2021: £Nil).

17. Parent company

The immediate parent company is LS London Holdings One Limited.

The ultimate parent company and controlling party at 31 March 2022 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 2022 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 website at www.landsec.com. This is the largest and smallest Group to include these accounts in its consolidated financial statements.

18. Post balance sheet events

Subsequent to year end, the Company disposed of 100% ownership in LS 1 New Street Square Limited.