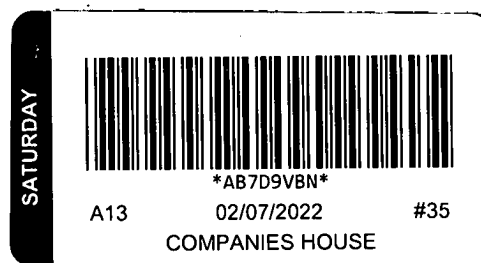


Company number: 00656914

Central London Commercial Estates Limited
Directors' report and financial statements
31 December 2021



Central London Commercial Estates Limited

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Directors

N Q George
E J Prideaux
P M Williams
D M A Wisniewski

Secretary and registered office

D A Lawler
25 Savile Row
London
W1S 2ER

Company number

00656914

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Central London Commercial Estates Limited

Directors' report

Principal activities and future developments

Central London Commercial Estates Limited (the 'Company') is a property investment company and is a subsidiary of Derwent London plc (the 'Group'). It invests primarily in central London office space. The Company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 25 Savile Row, London, W1S 2ER. The Directors foresee no material change in the nature of the Company's activities.

Financial review and dividends

The results for the year are set out in the statement of comprehensive income on page 7. The Directors do not recommend payment of a final 2021 dividend (2020: £nil).

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Political contributions

There were no political contributions in the year (2020: £nil).

Directors

The Directors who held office during the year and up to the date of signing were as follows:

N Q George
E J Prideaux (Appointed on 1 March 2021)
S P Silver (Resigned on 26 February 2021)
D G Silverman (Resigned on 14 April 2022)
P M Williams
D M A Wisniewski

None of the above Directors has an interest in the ordinary share capital of the Company. The interests of the Directors in the share capital of Derwent London plc, the Company's parent company, are disclosed in the financial statements of that company.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and continues to be in place. Derwent London plc, the Company's parent company, also purchased and maintained Directors' and Officers' liability insurance throughout the financial year, which covers all Directors and Officers within the Derwent London Group.

Disclosure of information to the Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP have expressed a willingness to continue in office. Under the Companies Act 2006 section 487 (2) they will be automatically re-appointed as Independent Auditors 28 days after these financial statements are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

Central London Commercial Estates Limited

Directors' report - continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the accounts and the financial statements in accordance with applicable law and regulation.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors 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' confirmations

In the case of each Director in office at the date the Directors' report is approved:

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

Small companies' exemption

In preparing this report, the Directors have taken advantage of the small companies exemptions from preparing a strategic report as provided by section 414B of the Companies Act 2006.

The Directors' report has been approved by the Board of Directors and signed by order of the Board:



D A Lawler
Secretary
25 Savile Row
London
W1S 2ER

29 June 2022

Independent auditors' report to the members of Central London Commercial Estates Limited

Report on the audit of the financial statements

Opinion

In our opinion, Central London Commercial Estates Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2021; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of investment properties. Audit procedures performed by the engagement team included:

- Discussions with management, including the Company Secretary, over their consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Understanding and evaluating management's controls designed to prevent and detect irregularities;
- Discussion with and review of the reports made by internal audit;
- Assessment of matters reported on the company's whistleblowing helpline and the results of management's investigation of such matters where relevant;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Review of tax compliance in the audit;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.
- Challenging assumptions made by management in relation to areas of judgment and significant accounting estimates, including involving PwC valuation specialists to challenge the assumptions used in the valuation of investment property.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Jamil Kanji (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2022

Central London Commercial Estates Limited

Statement of comprehensive income for the year ended 31 December

	Note	2021 £	2020 £
Gross property and other income	3	2,868,117	3,704,301
Net property and other income	3	2,105,231	2,916,470
Administrative expenses		(155,844)	(365,995)
Revaluation deficit	9	(1,565,677)	(375,138)
Loss on disposal of investment properties	5	(189,756)	-
Operating profit	4	193,954	2,175,337
Interest receivable and similar income	6	2,686,161	852,138
Interest payable and similar expenses	7	(2,625,883)	(2,402,006)
Profit and total comprehensive income for the financial year		254,232	625,469

All amounts relate to continuing activities.

The notes on pages 10 to 19 form part of these financial statements.

Central London Commercial Estates Limited

Company no. 00656914

Balance sheet as at 31 December

	Note	2021 £	2020 £
Non-current assets			
Investment properties	9	51,352,195	99,339,255
		<u>51,352,195</u>	<u>99,339,255</u>
Current assets			
Receivables: amounts falling due within one year	10	71,964,977	22,316,387
Receivables: amounts falling due after more than one year	10	791,994	37,768
		<u>72,756,971</u>	<u>22,354,155</u>
Current liabilities			
Payables: amounts falling due within one year	11	(65,055,868)	(62,894,344)
		<u>7,701,103</u>	<u>(40,540,189)</u>
Net current assets/(liabilities)		<u>7,701,103</u>	<u>(40,540,189)</u>
Net assets		<u>59,053,298</u>	<u>58,799,066</u>
Capital and reserves			
Called up share capital	12	100	100
Retained earnings		59,053,198	58,798,966
		<u>59,053,298</u>	<u>58,799,066</u>
Total equity		<u>59,053,298</u>	<u>58,799,066</u>

The financial statements on pages 7 to 19 were approved by the Board of Directors on 29 June 2022 and were signed on its behalf by:



D M A Wisniewski

The notes on pages 10 to 19 form part of these financial statements.

Central London Commercial Estates Limited

Statement of changes in equity for the year ended 31 December

	Called up share capital £	Retained earnings £	Total equity £
At 1 January 2021	100	58,798,966	58,799,066
Profit and total comprehensive income for the financial year	-	254,232	254,232
At 31 December 2021	100	59,053,198	59,053,298
At 1 January 2020	100	58,173,497	58,173,597
Profit and total comprehensive income for the financial year	-	625,469	625,469
At 31 December 2020	100	58,798,966	58,799,066

The notes on pages 10 to 19 form part of these financial statements.

Central London Commercial Estates Limited

Notes to the financial statements

1. Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements of Central London Commercial Estates Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The Company is a qualifying entity for the purpose of FRS 101. Note 15 gives details of the Company's ultimate parent company and from where its consolidated financial statements prepared in accordance with UK-adopted International Accounting Standards and in accordance with the provisions of the Companies Act 2006, may be obtained.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of IAS 7 Statement of Cash Flows; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Changes in accounting policies

New standards adopted during the year

The following standards, amendments and interpretations were effective for the first time for the Company's 31 December 2021 year end and had no material impact on the financial statements.

IFRS 16 (amended) – Covid-19-related Rent Concessions;

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended) – Interest Rate Benchmark Reform – Phase 2.

Standards and interpretations in issue but not yet effective

The following standards, amendments and interpretations were in issue at the date of approval of these financial statements but were not yet effective for the current accounting year and have not been adopted early. Based on the Company's current circumstances the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Company.

IFRS 17 – Insurance Contracts;

IAS 1 (amended) – Classification of liabilities as current or non-current;

IAS 1 and IFRS Practice Statement 2 (amended) – Disclosure of Accounting Policy;

IAS 8 (amended) – Definition of Accounting Estimate;

IFRS 10 and IAS 28 (amended) – Sale or Contribution of Assets between an investor and its Associate or Joint Venture;

IFRS 3 (amended) – Business Combinations;

IAS 16 (amended) – Property, plant and equipment;

IAS 37 (amended) – Provision, contingent liabilities and contingent assets;

IFRS 1, IFRS 9, IAS 41 and IFRS 16 annual improvements;

IAS 12 (amended) – deferred tax related to assets and liabilities arising from a single transaction;

Annual improvements to IFRS Standards 2018-2020.

Central London Commercial Estates Limited

Notes to the financial statements – continued

1. Basis of preparation – continued

Significant judgements, key assumptions and estimates

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Company's significant accounting policies are stated in note 2. Some but not all of these accounting policies require management to make difficult, subjective or complex judgements or estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Key sources of estimation uncertainty

Property portfolio valuation

The Company uses the valuation carried out by its independent valuers as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income, property yields, anticipated maintenance costs, future development costs and the appropriate discount rate. The external valuers also make reference to market evidence of transaction prices for similar properties and take into consideration the impact of climate change and related Environmental, Social and Governance considerations.

Impairment testing of trade receivables and other financial assets

Trade receivables and accrued rental income recognised in advance of receipt are subject to impairment testing. This accrued rental income arises due to the spreading of rent free and reduced rent periods, capital contributions and contracted rent uplifts in accordance with IFRS 16 Leases. Impairment calculations have been carried out using the forward-looking, simplified approach to the expected credit loss model within IFRS 9. The assessment considered the risk of tenant failures or defaults using information on tenants' payment history, deposits held, the latest known financial position together with forecast information where available, ongoing dialogue with tenants as well as other information such as the sector in which they operate. The impact of the Covid-19 pandemic on the Company's business and its occupiers has been considered and in 2021 the severity of the impact has reduced, however, there remains a risk of certain tenants defaulting or failing.

Financial risks

The Company is a subsidiary in the Group and its risks are aligned with that of the Group. The Group faces financial risks, in particular, that it becomes unable to meet its financial obligations or finance the business appropriately. The Group has a number of debt facilities which are subject to financial covenants. The Company has identified tenants defaulting or tenant failure and a fall in rental income as its key financial risks. Due to the economic impact of Covid-19 and its potential long-term implications, occupiers could be facing increased financial difficulty. This may result in a fall in rental income which would lead to lower interest cover under the Group's financial covenants. It would also normally have an adverse impact upon the property valuation.

Central London Commercial Estates Limited

Notes to the financial statements – continued

2. Accounting policies

Gross property income

Gross property income arises from two main sources:

- (i) Rental income – This arises from operating leases granted to tenants. An operating lease is a lease other than a finance lease. A finance lease is one whereby substantially all the risks and rewards of ownership are passed to the lessee.

Rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease in accordance with IFRS 16 Leases. This includes the effect of lease incentives given to tenants, which are normally in the form of rent free or half rent periods or capital contributions in lieu of rent free periods, and the effect of contracted rent uplifts and payments received from tenants on the grant of leases. Where the total consideration due under a lease is modified, for example, where a concession is granted to a tenant, the revised total amount due under the lease is recognised on a straight-line basis over the remaining term of the lease.

For income from property leased out under a finance lease, a lease receivable asset is recognised in the balance sheet at an amount equal to the net investment in the lease, as defined in IFRS 16 Leases. Minimum lease payments receivable, again defined in IFRS 16, are apportioned between finance income and the reduction of the outstanding lease receivable so as to produce a constant periodic rate of return on the remaining net investment in the lease. Contingent rents, being the difference between the rent currently receivable and the minimum lease payments when the net investment in the lease was originally calculated, are recognised in property income in the years in which they are receivable.

- (ii) Surrender premiums – Payments received from tenants to surrender their lease obligations are recognised immediately in the statement of comprehensive income. In circumstances where surrender payments received relate to specific periods, they are deferred and recognised in those periods.

Service charges

Service charge income relates to expenditure that is directly recoverable from tenants, excluding management fees which are included in 'other income'. Service charge income is recognised as revenue in the period to which it relates as required by IFRS 15 Revenue from Contracts with Customers.

Expenses

- (i) Lease payments – The leasehold interest in investment properties is classified as if it were held under a finance lease, which is recognised at its fair value on the balance sheet, within the investment property carrying value. Upon initial recognition, a corresponding liability is included as a finance lease liability. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining finance lease liability. Contingent rents payable, being the difference between the rent currently payable and the minimum lease payments when the lease liability was originally calculated, are charged as expenses within property expenditure in the years in which they are payable.
- (ii) Dilapidations – Dilapidations monies received from tenants in respect of their lease obligations are recognised immediately in the statement of comprehensive income, unless they relate to future capital expenditure. In the latter case, where the costs are considered to be recoverable they are capitalised as part of the carrying value of the property.
- (iii) Reverse surrender premiums – Payments made to tenants to surrender their lease obligations are charged directly to the statement of comprehensive income unless the payment is to enable the probable redevelopment of a property. In the latter case, where the costs are considered to be recoverable, they are capitalised as part of the carrying value of the property.
- (iv) Other property expenditure – Vacant property costs and other property costs are expensed in the year to which they relate, with the exception of the initial direct costs incurred in negotiating and arranging leases which are, in accordance with IFRS 16 Leases, added to the carrying value of the relevant property and recognised as an expense over the lease term on the same basis as the lease income.

Investment property

- (i) Valuation – Investment properties are those that are held either to earn rental income or for capital appreciation or both, including those that are undergoing redevelopment. Investment properties are measured initially at cost, including related transaction costs. After initial recognition, they are carried in the Company balance sheet at fair value adjusted for the carrying value of leasehold interests and lease incentive and letting cost receivables. Fair value is the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date. The valuation is undertaken by independent valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and categories of properties being valued.

Surpluses or deficits resulting from changes in the fair value of investment property are reported in the statement of comprehensive income in the year in which they arise.

Central London Commercial Estates Limited

Notes to the financial statements – continued

2. Accounting policies – continued

Investment property – continued

- (ii) Capital expenditure – Capital expenditure, being costs directly attributable to the redevelopment or refurbishment of an investment property, up to the point of it being completed for its intended use, are capitalised in the carrying value of that property. In addition, in accordance with IAS 23 Borrowing Costs, finance costs that are directly attributable to such expenditure are capitalised using the Group average cost of borrowings during each quarter.
- (iii) Disposal – Properties are treated as disposed when the Company transfers control and the significant risks and rewards of ownership to the buyer. Generally this would occur on completion of contract. On disposal, any gain or loss is calculated as the difference between the net disposal proceeds and the carrying value at the last year end plus subsequent capitalised expenditure during the year. Where the net disposal proceeds have yet to be finalised at the balance sheet date, the proceeds recognised reflect the Directors' best estimate of the amounts expected to be received. Any contingent consideration is recognised at fair value at the balance sheet date. The fair value is calculated using future discounted cash flows based on expected outcomes with estimated probabilities taking account of the risk and uncertainty of each input.
- (iv) Development – When the Company begins to redevelop an existing investment property for continued use as an investment property or acquires a property with the subsequent intention of developing as an investment property, the property is classified as an investment property and is accounted for as such. When the Company begins to redevelop an existing investment property with a view to sale, the property is transferred to trading properties and held as a current asset. The property is remeasured to fair value as at the date of transfer with any gain or loss being taken to the statement of comprehensive income. The remeasured amount becomes the deemed cost at which the property is then carried in trading properties.

Financial assets

- (i) Cash and cash equivalents – Cash comprises cash in hand and on-demand deposits less overdrafts. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- (ii) Trade receivables – Trade receivables are recognised and carried at the original transaction value. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.
- (iii) Intercompany receivables – Intercompany receivables are recognised and carried at the original transaction value. The Company measures the expected credit losses of these intercompany receivables in line with IFRS 9, taking into account the period of recovery, the ability of the borrower to repay the debt and proportion of the loan expected to be recovered.
- (iv) Lease incentive receivables – In accordance with IFRS 16, rental income is recognised in the income statement on a straightline basis over the term of the lease. This includes the effect of lease incentives given to tenants (in the form of rent free periods, half rent periods or capital contributions in lieu of rent free periods) and any contracted rental uplifts granted at lease inception. The result is a receivable balance included within accrued income in the balance sheet. This balance is subject to impairment testing under IFRS 9 using the forward-looking, simplified approach to the expected credit loss model.

Financial liabilities

- (i) Trade payables – Trade payables are recognised and carried at the original transaction value.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Dividends

Dividends payable on the ordinary share capital are recognised in the year in which they are declared.

Central London Commercial Estates Limited

Notes to the financial statements – continued

3. Property and other income

	2021 £	2020 £
Gross rental income	2,488,928	3,159,466
Surrender premiums received	-	236,250
Gross property income	2,488,928	3,395,716
Service charge income	379,189	308,585
Gross property and other income	2,868,117	3,704,301
Property outgoings	(770,368)	(739,670)
Reversal/(write-off and impairment of receivables)	7,482	(48,161)
Net property and other income	2,105,231	2,916,470

4. Operating profit

Audit fees of £2,000 (2020: £1,850) have been incurred by Derwent London plc on behalf of the Company.

The Company has no employees (2020: nil). Group employees are held in and remunerated by other Group companies.

The Company's Directors were not directly remunerated for their services to the Company, but instead received emoluments from the Company's parent for their services to all Group companies. Included within administrative expenses is a management fee from the ultimate parent that was recharged to the Company and includes a proportion of Directors' emoluments.

5. Loss on disposal of investment properties

	2021 £	2020 £
Gross disposal proceeds	46,690,244	-
Net disposal proceeds	46,690,244	-
Fair value	(46,880,000)	-
Loss on disposal of investment properties	(189,756)	-

The Company disposed of its interests in 27/33 Robert Adam Street on 30 September 2021 for £8.4m and Bush House on 29 January 2021 for £38.3m.

Central London Commercial Estates Limited

Notes to the financial statements – continued

6. Interest receivable and similar income

	2021 £	2020 £
Receivable from Group undertakings	2,686,161	852,138

7. Interest payable and similar expenses

	2021 £	2020 £
Amounts payable to Group undertakings	2,625,883	2,402,006

8. Tax on profit

There is no current taxation (2020: £nil) or deferred taxation (2020: £nil) charge for the year.

Factors affecting the tax for the year

The effective tax rate for the year is lower (2020: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2021 £	2020 £
Profit before taxation	254,232	625,469
Current tax at 19% (2020: 19%)	48,304	118,839
Effects of:		
Differences between expenses and deductions for tax purposes	(57,262)	(57,176)
REIT exempt income	(313,122)	(427,414)
Group relief surrendered not paid	-	294,165
Group relief claimed not paid	(488,069)	-
REIT exempt disposal	36,054	-
Revaluation deficit attributable to REIT properties	297,479	71,276
Difference in interest rate on intercompany loans for tax purposes	476,616	310
Tax on profit	-	-

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2021 (on 24 May 2021) and include increasing the main rate to 25% effective on or after 1 April 2023.

Central London Commercial Estates Limited

Notes to the financial statements – continued

9. Investment properties

	Freehold £	Long leasehold £	Total £
Valuation			
Fair value at 1 January 2021	45,630,000	53,750,000	99,380,000
Capital expenditure	181,724	276,893	458,617
Disposals	(38,280,000)	(8,600,000)	(46,880,000)
Revaluation	(1,031,724)	198,107	(833,617)
Fair value at 31 December 2021	6,500,000	45,625,000	52,125,000
Lease incentives and costs included in prepayments	-	(772,805)	(772,805)
At 31 December 2021	6,500,000	44,852,195	51,352,195
Valuation			
Fair value at 1 January 2020	44,830,000	52,400,000	97,230,000
Capital expenditure	673,729	1,883,993	2,557,722
Revaluation	126,271	(533,993)	(407,722)
Fair value at 31 December 2020	45,630,000	53,750,000	99,380,000
Lease incentives and costs included in prepayments	-	(40,745)	(40,745)
At 31 December 2020	45,630,000	53,709,255	99,339,255
Historical cost of revalued assets			
At 31 December 2021			55,015,006
At 31 December 2020			63,731,422

The property portfolio is subject to semi-annual external valuations and was revalued at 31 December 2021 by external valuers on the basis of fair value in accordance with The RICS Valuation – Professional Standards, which takes account of the properties' highest and best use. When considering the highest and best use of a property, the external valuers will consider its existing and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the external valuers will consider the costs and the likelihood of achieving and implementing this change in arriving at the property valuation. In addition, the valuation reports are based on assumptions and valuation models used by the external valuers. The assumptions are typically market-related, such as yields and discount rates, and are based on their professional judgement and market observation and take into account the impact of climate change and related Environmental, Social and Governance considerations.

In 2021, the Company commissioned a third party report to determine the costs of achieving EPC compliance across the portfolio by 2030. An exercise is underway to estimate the amount of capital expenditure that is recoverable through service charges or not already included within future planned refurbishment projects.

In the table above, the negative revaluation of £833,617 together with the negative movement of £732,060 in lease incentives and costs included in prepayments, is shown within the Company's Statement of comprehensive income as revaluation deficit of £1,565,677 on page 7.

Central London Commercial Estates Limited

Notes to the financial statements – continued

9. Investment properties – continued

Properties with a value of £52,125,000 (2020: £99,380,000) are secured against borrowings of a fellow group undertaking.

10. Receivables

	2021 £	2020 £
Amounts falling due within one year:		
Amounts due from Group undertakings	70,932,506	20,800,697
Trade receivables	21,479	662,685
Other receivables	269,993	259,800
Taxation and social security	97,071	212,358
Prepayments and accrued income	643,928	380,847
	<u>71,964,977</u>	<u>22,316,387</u>
	2021 £	2020 £
Amounts falling due after more than one year:		
Prepayments and accrued income	791,994	37,768
	<u>791,994</u>	<u>37,768</u>

Amounts due from Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at a rate dependent on the Group's overall debt funding cost for the year. For the year ended 31 December 2021, interest was charged at 4.30% (2020: 4.09%).

The Company has a provision for bad debt as shown below. £27,589 (2020: £11,335) is included in trade receivables and the remaining £13,089 (2020: £4,013) in prepayments and accrued income.

	2021 £	2020 £
Provision for bad debts		
At 1 January	15,348	-
Lease incentive provision	9,076	4,013
Trade receivables provision	24,246	3,343
Service charge (reversal)/provision	(7,992)	7,992
	<u>40,678</u>	<u>15,348</u>
At 31 December	40,678	15,348

A 10% increase/decrease to the absolute probability rates of tenant default in the year would result in a £9,191 decrease and £8,849 increase respectively, in the Company's profit for the year.

Central London Commercial Estates Limited

Notes to the financial statements – continued

11. Payables

	2021 £	2020 £
Amounts falling due within one year:		
Amounts owed to Group undertakings	63,692,925	61,067,042
Trade payables	-	4,450
Other payables	637,272	391,190
Accruals and deferred income	725,671	1,431,662
	<u>65,055,868</u>	<u>62,894,344</u>

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at a rate dependent on the Group's overall debt funding cost for the year. For the year ended 31 December 2021, interest was charged at 4.30% (2020: 4.09%).

12. Called up share capital

	2021 £	2020 £
Allotted, called up and fully paid		
100 (2020: 100) ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

13. Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2021 £	2020 £
Contracted	33,365	-
	<u>33,365</u>	<u>-</u>

14. Leases

	2021 £	2020 £
Operating lease receipts:		
Minimum lease receipts under non-cancellable operating leases to be received:		
not later than one year	1,503,149	2,360,549
later than one year and not later than five years	8,487,836	9,227,543
later than five years	39,726	1,034,730
	<u>10,030,711</u>	<u>12,622,822</u>

Central London Commercial Estates Limited

Notes to the financial statements – continued

15. Parent company

The Company's immediate parent undertaking is Derwent Valley Limited, a company incorporated in England and Wales.

The Company's ultimate parent company is Derwent London plc, a company incorporated in England and Wales, whose registered office is at 25 Savile Row, London, W1S 2ER. Copies of the consolidated Group financial statements can be obtained from this address.