

Registration number: 06024920

Euston Tower Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2022



Euston Tower Limited

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Euston Tower Limited

Strategic Report for the Year Ended 31 March 2022

The Directors present their Strategic Report for the year ended 31 March 2022.

Business review and principal activities

Euston Tower Limited ("the company") is a wholly owned subsidiary of The British Land Company PLC and operates as a constituent of The British Land Company PLC group of companies ("the group").

The company's principal activity is property investment in the United Kingdom (UK).

As shown in the company's Profit and Loss Account on page 9, the company's turnover of £3,231,484 has decreased by £9,039,209 compared with turnover of £12,270,693 in the prior year. The reduction in turnover is due to the primary occupier's lease ending during the year.

Profit on ordinary activities before taxation is £10,781,833 compared to a loss on ordinary activities before taxation of £10,531,261 in the prior year. The current year profit on ordinary activities is driven by the upward revaluation of investment properties as detailed below.

The revaluation of investment properties in the year was a surplus of £16,850,986 (2021: deficit of £18,842,818).

The value of investment properties held as at 31 March 2022 has increased by 7.6% from 31 March 2021 as shown in note 8 to the company's Balance Sheet. Details of how investment properties are valued can be found in note 8 to the company's balance sheet. The movement is determined by the prevailing market conditions at the balance sheet date.

Dividends of £nil (2021: £nil) were paid in the year.

The Balance Sheet on page 11 shows that the company's financial position at the year end has, in net assets terms, increased compared with the prior year.

The company is a subsidiary of The British Land Company PLC. The company's strategy is the same as the group's strategy - to deliver an above average annualised total return to shareholders, which is achieved by creating attractive environments in the right places focused around the people who work, shop and live in them.

The Board of the group uses total return, to monitor the performance of the group. This is a measure of growth in total equity per share, adding back any current year dividend.

Any expected future developments of the company are determined by the strategy of the group.

For more information also see The British Land Company PLC group annual report.

The performance of the group, which includes the company, is discussed in the group's annual report which does not form part of this report.

Euston Tower Limited

Strategic Report for the Year Ended 31 March 2022 (continued)

Principal risks and uncertainties

This company is part of a large property investment group. As such, the fundamental underlying risks for this company are those of the property group as discussed below.

The company generates returns to shareholders through long-term investment decisions requiring the evaluation of opportunities arising in the following areas:

- demand for space from occupiers against available supply;
- identification and execution of investment and development strategies which are value enhancing;
- availability of financing or refinancing at an acceptable cost;
- economic cycles, including their impact on tenant covenant quality, interest rates, inflation and property values;
- legislative changes, including planning consents and taxation;
- engagement of development contractors with strong covenants;
- key staff changes; and
- environmental and health and safety policies.

These opportunities also represent risks, the most significant being change to the value of the property portfolio. This risk has high visibility to Directors and is considered and managed on a continuous basis. Directors use their knowledge and experience to knowingly accept a measured degree of market risk.

The company's preference for prime assets and their secure long term contracted rental income, primarily with upward only rent review clauses, presents lower risks than many other property portfolios.


The financial and political risks for the company are managed in accordance with the group financial risk management policy, as disclosed in the consolidated group financial statements.

The company has no third party debt and no associated third party interest rate exposure.

The general risk environment in which the Company operates has remained heightened during the period due to the continued impact of Covid-19, and the emergence of the UK economy from the pandemic, including related challenges in parts of the UK retail market and macroeconomic headwinds through rising inflation. Despite this the general risk environment is considered to have improved during the year with a stabilisation in rents, improved rental collection and footfall and sales returning close to, and in some cases above, pre-pandemic levels. The improvement in the general risk environment will directly impact the degree of certainty around the valuation of investment properties at year end.

The emergence of the conflict in Ukraine in February 2022 has led to increased global economic uncertainty with sanctions imposed upon Russia and heightened political and diplomatic tensions. The Directors do not consider the conflict at this stage to have had a material impact on the Company's financial statements owing to the nature of the Company's UK focused operations and limited exposure to Ukrainian and Russian businesses. Additionally, our valuers consider there to be no current evident impact of the conflict on the UK property sector. The Directors and our valuers are closely monitoring the conflict for any future developments that may change the risk environment in which the Company operates.

Approved by the Board on 29.09.2022 and signed on its behalf by:

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Nigel Webb

Director

Euston Tower Limited

Directors' Report for the Year Ended 31 March 2022

The Directors present their report and the audited financial statements for the year ended 31 March 2022.

Directors of the company

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

S M Barzycki (resigned 18 March 2022)

J Taylor (appointed 18 March 2022)

J Lovejoy (appointed 18 March 2022)

N M Webb

Directors' responsibilities statement

The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and 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.

Environmental matters

Across the group, The British Land Company PLC recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies. The group's full sustainability report is available online at:

www.britishland.com/sustainability/sustainability-reporting

In preparing the financial statements, the impact of climate change has been considered. Whilst noting the Company's commitment to sustainability, there has not been a material impact on the financial reporting judgements and estimates arising from our considerations, which include physical climate and transitional risk assessments conducted by the Company. As part of the valuation process, the Company has discussed the impact of climate change with the external valuers who value the investment and development properties of the Company.

Euston Tower Limited

Directors' Report for the Year Ended 31 March 2022 (continued)

Going concern

The Directors consider that the Company has adequate resources to continue trading for the foreseeable future, with no external borrowings and a working capital cycle enabling the company to meet all liabilities as they fall due.

As a consequence of this the Directors feel that the Company is well placed to manage its financing and other business risks satisfactorily despite the uncertain economic climate, and have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for at least 12 months from the signing date of these financial statements. Accordingly, they believe the going concern basis is an appropriate one.

Subsequent events

Details of significant events since the Balance Sheet date, if any, are contained in note 14.

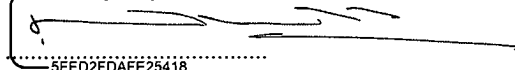
Disclosure of information to the auditors

Each Director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Independent auditors

The auditors BDO LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 29.09.2022 and signed on its behalf by:

DocuSigned by:

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Nigel Webb

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUSTON TOWER LIMITED

Opinion on the financial statements

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.

We have audited the financial statements of Euston Tower Limited ("the Company") for the year ended 31 March 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice)

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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

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

Other information

The Directors are responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUSTON TOWER LIMITED (CONTINUED)

Other information (continued)

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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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.

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, 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 qualifying 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 qualifying Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUSTON TOWER LIMITED (CONTINUED)

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.

Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding using our general commercial and sector experience and through discussion with the Directors and other senior management of the legal and regulatory framework applicable to the Limited Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud;
- We enquired of management and the Directors as to their identification of any non-compliance with laws or regulations, or any actual or potential claims;
- We performed our own checks of compliance with relevant areas identified which included financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, health & safety and anti-money laundering;
- We communicated identified laws and regulations and potential fraud risks throughout our team and remained alert to any indications of non-compliance or fraud throughout the audit;
- We agreed the financial statement disclosures to underlying supporting documentation to assess compliance with those laws and regulations having an impact on the financial statements;
- We reviewed Board meeting minutes and enquired of the Directors and management as to the risks of non-compliance and any instances thereof;
- We challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of investment property;
- In relation to the risk of management override of internal controls, we undertook procedures to review journal entries processed during and subsequent to the year end and evaluated whether there was a risk of material misstatement due to fraud; and
- We designed audit procedures to respond to 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.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUSTON TOWER LIMITED
(CONTINUED)**

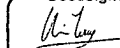
Auditor's responsibilities for the audit of the financial statements (continued)

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

Use of our report

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

DocuSigned by:



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Christopher Young (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
Date: 30 September 2022

BDO LLP is a limited liability Company registered in England and Wales (with registered number OC305127).

Euston Tower Limited**Profit and Loss Account for the Year Ended 31 March 2022**

	Note	2022 £	2021 £
Turnover	4	3,231,484	12,270,693
Cost of sales ¹		<u>(9,300,637)</u>	<u>(707,096)</u>
Gross (loss)/profit		(6,069,153)	11,563,597
Administrative expenses		<u>-</u>	<u>(3,252,040)</u>
Operating (loss)/profit		(6,069,153)	8,311,557
Revaluation of investment properties	8	<u>16,850,986</u>	<u>(18,842,818)</u>
Profit/(loss) on ordinary activities before taxation		10,781,833	(10,531,261)
Taxation	7	<u>-</u>	<u>-</u>
Profit/(loss) for the year		<u>10,781,833</u>	<u>(10,531,261)</u>

Turnover and results were derived from continuing operations within the United Kingdom.

1. Included within 'Cost of sales' is a credit of £93,115 (2021: charge of £242,150) relating to a provision for impairment of tenant debtors, accrued income and tenant incentives.

The notes on pages 13 to 21 form an integral part of these financial statements.

Euston Tower Limited

Statement of Comprehensive Income for the Year Ended 31 March 2022

	2022 £	2021 £
Profit/(loss) for the financial year	<u>10,781,833</u>	<u>(10,531,261)</u>
Total comprehensive income for the year	<u><u>10,781,833</u></u>	<u><u>(10,531,261)</u></u>

The notes on pages 13 to 21 form an integral part of these financial statements.

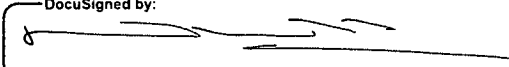
Euston Tower Limited

(Registration number: 06024920)

Balance Sheet as at 31 March 2022

	Note	31 March 2022 £	31 March 2021 £
Fixed assets			
Investment properties	8	<u>268,000,000</u>	<u>249,000,000</u>
		<u>268,000,000</u>	<u>249,000,000</u>
Current assets			
Debtors	9	<u>29,970,064</u>	<u>36,212,361</u>
		<u>29,970,064</u>	<u>36,212,361</u>
Creditors due within one year	10	<u>(3,123,720)</u>	<u>(1,147,850)</u>
Net current assets		<u>26,846,344</u>	<u>35,064,511</u>
Net assets		<u>294,846,344</u>	<u>284,064,511</u>
Capital and reserves			
Share capital	11	<u>181,000,001</u>	<u>181,000,001</u>
Profit and loss account		<u>113,846,343</u>	<u>103,064,510</u>
Total shareholders' funds		<u>294,846,344</u>	<u>284,064,511</u>

Approved by the Board on 29.09.2022 and signed on its behalf by:

DocuSigned by:

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 Nigel Webb
 Director

The notes on pages 13 to 21 form an integral part of these financial statements.

Euston Tower Limited**Statement of Changes in Equity for the Year Ended 31 March 2022**

	Share capital £	Profit and loss account £	Total £
Balance at 1 April 2020	181,000,001	113,595,771	294,595,772
Loss for the financial year	-	(10,531,261)	(10,531,261)
Total comprehensive expense for the year	-	(10,531,261)	(10,531,261)
Balance at 31 March 2021	<u>181,000,001</u>	<u>103,064,510</u>	<u>284,064,511</u>
Balance at 1 April 2021	181,000,001	103,064,510	284,064,511
Profit for the financial year	-	10,781,833	10,781,833
Total comprehensive income for the year	-	10,781,833	10,781,833
Balance at 31 March 2022	<u>181,000,001</u>	<u>113,846,343</u>	<u>294,846,344</u>

The notes on pages 13 to 21 form an integral part of these financial statements.

Euston Tower Limited

Notes to the Financial Statements for the Year Ended 31 March 2022

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England, United Kingdom.

The address of its registered office is:

York House
45 Seymour Street
London
W1H 7LX

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Instances in which advantage of the FRS 101 disclosure exemptions have been taken are set out below.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments properties. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Summary of disclosure exemptions

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

- (a) The requirements of IAS 1 to provide a Balance Sheet at the beginning of the year in the event of a prior year adjustment;
- (b) The requirements of IAS 1 to provide a Statement of Cash flows for the year;
- (c) The requirements of IAS 1 to provide a statement of compliance with IFRS;
- (d) The requirements of IAS 1 to disclose information on the management of capital;
- (e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;
- (f) 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;
- (g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;
- (h) The requirements of IFRS 7 to disclose financial instruments; and
- (i) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

Euston Tower Limited

**Notes to the Financial Statements for the Year Ended 31 March 2022
(continued)**

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements. Where required, equivalent disclosures are given in the group financial statements of The British Land Company PLC. The group financial statements of The British Land Company PLC are available to the public and can be obtained as set out in note 15.

Adoption status of relevant new financial reporting standards and interpretations

In the current financial year the Company has adopted a number of minor amendments to standards effective in the year, none of which have had a material impact on the Company.

These amendments include IFRS 16 - Covid-19 Related Rent Concessions, and amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2.

Going concern

The Directors consider that the Company has adequate resources to continue trading for the foreseeable future, with no external borrowings and a working capital cycle enabling the company to meet all liabilities as they fall due.

As a consequence of this the Directors feel that the Company is well placed to manage its financing and other business risks satisfactorily despite the uncertain economic climate, and have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for at least 12 months from the signing date of these financial statements. Accordingly, they believe the going concern basis is an appropriate one.

Turnover

Rental income from investment property

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure that the carrying value of the related property including the accrued rent does not exceed the external valuation. Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

Where a lease incentive payment, including surrender premia paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income.

Service charge income is recognised on an accruals basis in line with the service being provided.

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the Profit and Loss Account because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and tax base value, on an undiscounted basis.

Euston Tower Limited

**Notes to the Financial Statements for the Year Ended 31 March 2022
(continued)**

2 Accounting policies (continued)

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequently to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Any surplus or deficit arising on revaluing investment properties is recognised in the Profit and Loss Account as a fair value movement.

Where properties held for investment are appropriated to trading stock, they are transferred at market value. If properties held for trading are appropriated to investment, they are transferred at book value.

Debtors

Trade and other debtors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. The Company calculates the expected credit loss for debtors based on lifetime expected credit losses under the IFRS 9 simplified approach.

Creditors

Trade and other creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

Euston Tower Limited

**Notes to the Financial Statements for the Year Ended 31 March 2022
(continued)**

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the Directors are required to make critical accounting judgements and assess key sources of estimation uncertainty that affect the financial statements.

The general risk environment in which the Company operates has remained heightened during the period due to the continued impact of Covid-19, and the emergence of the UK economy from the pandemic, including related challenges in parts of the UK retail market and macroeconomic headwinds through rising inflation. Despite this the general risk environment is considered to have improved during the year with a stabilisation in rents, improved rental collection and footfall and sales returning close to, and in some cases above, pre-pandemic levels. The improvement in the general risk environment will directly impact the degree of certainty around the valuation of investment properties at year end.

The emergence of the conflict in Ukraine in February 2022 has led to increased global economic uncertainty with sanctions imposed upon Russia and heightened political and diplomatic tensions. The Directors do not consider the conflict at this stage to have had a material impact on the Company's financial statements owing to the nature of the Company's UK focused operations and limited exposure to Ukrainian and Russian businesses. Additionally, our valuers consider there to be no current evident impact of the conflict on the UK property sector. The Directors and our valuers are closely monitoring the conflict for any future developments that may change the risk environment in which the Company operates.

Key sources of estimation uncertainty

The key source of estimation uncertainty relates to the valuation of the property portfolio where an external valuation is obtained. In accounting for net rental income, the group is required to judge the recoverability of any income accrued and provides against the credit risk on these amounts. The potential for management to make judgements or estimates relating to those items which would have a significant impact on the financial statements is considered, by the nature of the group's business, to be limited.

The key assumptions within the expected credit loss model include the tenants' credit risk rating and the related loss rates assumed for each risk rating depending on the historical experience collection rate and the ageing profile. Tenant risk ratings are determined by management, taking into consideration information available surrounding a tenant's credit rating, financial position and historical loss rates. Tenants are classified as being in Administration or CVA, high, medium or low risk based on this information. The assigned loss rates for these risk categories are reviewed at each balance sheet date and are based on historical experience collection rates and future expectations of collection rates. The same key assumptions are applied in the expected credit loss model for tenant incentives, without the consideration of the ageing profile which is not relevant for these balances. The loss rates attributed to each credit risk rating for tenant incentives tends to be lower than that attributed to lease debtors on the basis that the associated credit risk on these balances, which relate to the tenant's future lease liabilities, is lower than that associated to tenant debtors outstanding as a result of Covid-19.

Critical accounting judgements

The Directors do not consider there to be any other critical accounting judgements in the preparation of the Company financial statements.

Euston Tower Limited**Notes to the Financial Statements for the Year Ended 31 March 2022
(continued)****4 Turnover**

The analysis of the company's turnover for the year from continuing operations is as follows:

	2022 £	2021 £
Rental income from investment property	861,602	12,058,117
Service charge income	<u>2,369,882</u>	<u>212,576</u>
	<u><u>3,231,484</u></u>	<u><u>12,270,693</u></u>

5 Auditors' remuneration

Audit fees of £2,125 (2021: £2,000) were paid to BDO LLP in the current year in respect of the audit of the financial statements for the year ended 31 March 2022.

No non-audit fees (2021: £nil) were paid to BDO LLP in the current year.

6 Staff costs

No Director (2021: nil) received any remuneration for services to the company in either year. The remuneration of the Directors was borne by another company, for which no apportionment or recharges were made.

Average number of employees, excluding Directors, of the company during the year was nil (2021: nil).

7 Taxation

	2022 £	2021 £
Current taxation		
UK corporation tax	-	-
Tax charge in the profit and loss account	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>
Tax reconciliation		
Profit/(loss) on ordinary activities before taxation	10,781,833	(10,531,261)
Tax on profit/(loss) on ordinary activities at UK corporation tax rate of 19% (2021: 19%)	<u>2,048,548</u>	<u>(2,000,939)</u>

Euston Tower Limited**Notes to the Financial Statements for the Year Ended 31 March 2022
(continued)****7 Taxation (continued)**

	2022 £	2021 £
Effects of:		
REIT exempt income and gains	1,150,800	(2,075,262)
Capital allowances	(479)	(564)
Taxable transfer pricing adjustments	138,489	103,909
(Increase)/decrease in fair value of property & investments	(3,201,687)	3,580,135
Expenses not allowable	2,818	496,630
Group relief	<u>(138,489)</u>	<u>(103,909)</u>
Total tax charge	<u>-</u>	<u>-</u>

On 24 May 2021 legislation was substantially enacted to increase the corporation tax rate to 25% from 1 April 2023. Where relevant this has been reflected in the deferred tax calculation.

8 Investment properties

	£
Fair value	
1 April 2021	249,000,000
Additions	1,998,477
Lease incentive movements	150,537
Revaluation	<u>16,850,986</u>
31 March 2022	<u>268,000,000</u>
Fair value	
1 April 2020	273,000,000
Additions	(1,618,629)
Lease incentive movements	(3,538,553)
Revaluation	<u>(18,842,818)</u>
31 March 2021	<u>249,000,000</u>
Analysis of cost and valuation	
31 March 2022	
Cost	166,764,300
Valuation	<u>101,235,700</u>
Net book value	<u>268,000,000</u>

Euston Tower Limited**Notes to the Financial Statements for the Year Ended 31 March 2022
(continued)****8 Investment properties (continued)**

£

31 March 2021

Cost	164,615,285
Valuation	<u>84,384,715</u>
Net book value	<u>249,000,000</u>

At 31 March 2022 the book value of freehold investment properties owned by the company was £268,000,000 (2021: £249,000,000).

Investment properties are valued by adopting the "investment method" of valuation. This approach involves applying capitalisation yields to current and estimated future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and rental values are based on comparable property and leasing transactions in the market, using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

Properties were valued to fair value at 31 March 2022 by Jones Lang LaSalle, independent valuers not connected with the company, in accordance with the RICS Valuation - Global Standards 2022, published by The Royal Institution of Chartered Surveyors.

In preparing their valuations during the pandemic lockdown periods in 2020/21, our valuers had considered the impact of concessions agreed with tenants at the relevant balance sheet date, which mainly related to rent deferrals and rent-free periods, on valuations, primarily of retail assets. With the lifting of lockdown restrictions during 2021/22, the number of concessions agreed with tenants has decreased and following the cessation of the general moratorium on commercial evictions and restrictions on commercial rent arrears recovery on 25 March 2022, the valuers have assumed that rental income will be received, unless there are specific concession agreements in place. The valuers have also given consideration to occupiers in higher risk sectors, and those assumed to be at risk of default, in determining the appropriate yields to apply.

The valuers of the Group's property portfolio have a working knowledge of the various ways that sustainability and Environmental, Social and Governance factors can impact value and have considered these, and how market participants are reflecting these in their pricing, in arriving at their Opinion of Value and resulting valuations as at the balance sheet date. These may be:

- physical risks;
- transition risk related to policy or legislation to achieve sustainability and Environmental, Social and Governance targets; and
- risks reflecting the views and needs of market participants.

The Group has shared recently conducted physical climate and transitional risk assessments with the valuers which they have reviewed and taken into consideration to the extent that current market participants would. Valuers observe, assess and monitor evidence from market activities, including market (investor) sentiment on issues such as longer-term obsolescence and, where known, future Environmental, Social and Governance related risks and issues which may include, for example, the market's approach to capital expenditure required to maintain the utility of the asset. In the absence of reliable benchmarking data and indices for estimating costs, specialist advice on cost management may be required which is usually agreed with the valuer in the terms of engagement and without which reasonable estimates/assumptions may be needed to properly reflect market expectations in arriving at the Opinion of Value.

The company leases out all of its investment properties under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

Euston Tower Limited**Notes to the Financial Statements for the Year Ended 31 March 2022
(continued)****8 Investment properties (continued)**

	31 March 2022 £	31 March 2021 £
Leases less than one year	236,858	256,232
Leases between one and five years	1,026,272	491,752
Leases greater than five years	429,401	162,257
	1,692,531	910,241

9 Debtors

	31 March 2022 £	31 March 2021 £
Trade debtors	132,148	1,033,618
Provision for impairment of trade debtors	(71,646)	(254,510)
Net trade debtors	60,502	779,108
Amounts due from related parties	29,275,279	35,433,253
Prepayments	168,029	-
VAT	466,254	-
	29,970,064	36,212,361

Debtors from related parties relate to amounts due from group companies which are repayable on demand. There is no interest charged on these balances.

10 Creditors due within one year

	31 March 2022 £	31 March 2021 £
Trade creditors	2,808,054	20,125
Accrued expenses	315,666	334,476
Social security and other taxes	-	793,249
	3,123,720	1,147,850

Euston Tower Limited**Notes to the Financial Statements for the Year Ended 31 March 2022
(continued)****11 Share capital****Allotted, called up and fully paid shares**

	No.	31 March 2022 £	No.	31 March 2021 £
Ordinary shares of £1 each	181,000,001	181,000,001	181,000,001	181,000,001

12 Capital commitments

The total amount contracted for but not provided in the financial statements was £1,506,296 (2021: £193,050).

13 Contingent liabilities

The company is jointly and severally liable with the ultimate holding company and fellow subsidiaries for all monies falling due under the group VAT registration.

14 Subsequent events

There have been no significant events since the year end.

15 Parent and ultimate parent undertaking

The immediate parent company is BL Euston Tower Holding Company Limited.

The British Land Company PLC is the smallest and largest group for which group financial statements are available and which include the company. The ultimate holding company and controlling party is The British Land Company PLC. Group financial statements for this company are available on request from British Land, York House, 45 Seymour Street, London, W1H 7LX.