
ALCO 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023



ALCO 1 LIMITED

COMPANY INFORMATION

Directors	Simon Lee Frederick Joseph Brooks
Company secretary	LDC Nominee Secretary Limited Apex Listed Companies Services (UK) Limited (resigned 6 March 2023)
Registered number	10975411
Registered office	8th Floor 100 Bishopsgate London EC2N 4AG
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU
Solicitors	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Independent valuer	Knight Frank LLP 55 Baker Street London W1U 8AN

ALCO 1 LIMITED

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ALCO 1 LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2023**

The Directors present their report and the financial statements for the year ended 31 March 2023.

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The Company was incorporated on 21 September 2017. The Company's principal activity is to carry out long term property investment in UK Real Estate.

Results and dividends

The loss for the year, after taxation, amounted to £1,187,678 (2022: profit £43,110).

The Directors have not declared a dividend in respect of the year (2022: £nil). Any undistributed profit for the year is to be transferred to reserves.

Directors

The Directors who served during the year were:

Simon Lee
Frederick Joseph Brooks

ALCO 1 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

Going concern and subsequent events

After reviewing the liquidity, forecasts and projections which have been tested with different levels of reduced rent recovery, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its financial statements based on the Company's and wider Group's cash balance and available liquidity as well as the surplus in rental income after administrative, legal and financing costs.

Debt extension

The LXi REIT plc Group completed a refinancing of over £700m of debt post year end and extended a £60m facility during the year. The refinancing increased the weighted average term to maturity from 3 years at 30 September 2022 to 6 years at 31 March 2023.

No significant events have occurred after 31 March 2023 to the date the Directors approved the Financial Statements.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.


Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 31 July 2023 and signed on its behalf.

DocuSigned by:

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Frederick Joseph Brooks
Director

ALCO 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALCO 1 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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Alco 1 Limited ("the Company") for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (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.

ALCO 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALCO 1 LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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 our 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 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

ALCO 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALCO 1 LIMITED (CONTINUED)

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, 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.

ALCO 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALCO 1 LIMITED (CONTINUED)

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.

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with the Directors and those charged with governance; and
- Obtaining and understanding the Company's policies and procedures regarding compliance with laws and regulations,

We considered the significant laws and regulations to be the Companies Act 2006, the UK Listing Rules and the UK Real Estate Investment Trust ("REIT") regime.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be UK VAT regulations.

Our procedures in respect of the above included:

- Review of Board meeting minutes for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with the Directors and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of Board meeting minutes for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the assessment of lease term lengths that any incentives are recognised over, revenue recognition (completeness and accuracy of lease incentives), investment property valuations and management override of controls.

ALCO 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALCO 1 LIMITED (CONTINUED)

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year/period, which met a defined risk criteria, by agreeing to supporting documentation;
- We agreed all bank and loan balances to direct bank confirmations and agreements;
- We also addressed the risk of management override of internal controls by evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. This included evaluating any management bias within the valuation of investment property;
- To address the fraud risk in relation to the assessment of lease term lengths that any incentives are recognised over, we assessed the Directors' judgements of lease terms for any evidence of bias.
- To address the fraud risk in relation to the completeness of lease incentives, we obtained all new or amended lease agreements and ensured that any lease incentives were correctly recorded. For all new, amended and existing leases, we set expectations for the rental income to be received under the lease agreement, investigating any variances. For a sample of new, amended and existing leases, we verified the cash receipts and payee details as per the lease agreement to bank statements, investigating any variances.
- To address the fraud risk in relation to the accuracy of lease incentives, we recalculated and traced to source documentation the details of all lease incentives.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

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 Auditors' 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:

Chris Young

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Christopher Young (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 31 July 2023

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

ALCO 1 LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £	2022 £
Turnover	4	823,603	734,354
Gross profit		823,603	734,354
Administrative expenses	5	(18,117)	-
Operating profit		805,486	734,354
Change in fair value of investment property	7	(1,993,164)	(691,244)
(Loss)/profit before tax		(1,187,678)	43,110
(Loss)/profit for the financial year		(1,187,678)	43,110
Total comprehensive (loss)/income for the year		(1,187,678)	43,110

The notes on pages 12 to 20 form part of these financial statements.


ALCO 1 LIMITED
REGISTERED NUMBER: 10975411

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 £	2022 £
Fixed assets			
Investment property	7	10,830,000	12,825,000
		<u>10,830,000</u>	<u>12,825,000</u>
Current assets			
Debtors: amounts falling due within one year	8	13,802,324	13,166,884
Cash and cash equivalents	9	124,640	-
		<u>13,926,964</u>	<u>13,166,884</u>
Creditors: amounts falling due within one year	10	(1,039,191)	(1,086,433)
Net current assets		<u>12,887,773</u>	<u>12,080,451</u>
Total assets less current liabilities		<u>23,717,773</u>	<u>24,905,451</u>
Net assets		<u><u>23,717,773</u></u>	<u><u>24,905,451</u></u>
Capital and reserves			
Called up share capital	11	2,099	2,099
Share premium account	12	11,183,194	11,183,194
Retained earnings		12,532,480	13,720,158
		<u>23,717,773</u>	<u>24,905,451</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 July 2023.

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Frederick Joseph Brooks
Director

The notes on pages 12 to 20 form part of these financial statements.

ALCO 1 LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Share capital £	Share premium account £	Retained earnings £	Total equity £
At 1 April 2022	2,099	11,183,194	13,720,158	24,905,451
Comprehensive income for the year				
Loss for the year	-	-	(1,187,678)	(1,187,678)
At 31 March 2023	2,099	11,183,194	12,532,480	23,717,773

The notes on pages 12 to 20 form part of these financial statements.

ALCO 1 LIMITED

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

	Share capital £	Share premium account £	Retained earnings £	Total equity £
At 1 April 2021	2,099	11,183,194	13,677,048	24,862,341
Comprehensive income for the year				
Profit for the year	-	-	43,110	43,110
At 31 March 2022	2,099	11,183,194	13,720,158	24,905,451

The notes on pages 12 to 20 form part of these financial statements

ALCO 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

1. General information

The financial statements of Alco 1 Limited (the "Company") for the year ended 31 March 2023 were authorised for issue by the Board of Directors on 31 July 2023.

The Company is a registered private company incorporated in the England and Wales with registration number 10975411. The address for the registered office is 8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG. The Company's principal activity is the investment of real estate in the UK.

The Company is owned by LXI Property Holdings 2 Limited and its ultimate parent company, LXi REIT plc. These financial statements are contained within the group consolidated financial statements of LXi REIT plc. The group consolidated financial statements may be obtained from the Company Secretary at 8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG.

These financial statements represent the separate financial statements of the Company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. Details of the significant judgements and estimates are provided in note 3.

These financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of LXi REIT plc.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- the requirements of section 7 Statement of Cash Flows

This information is included in the consolidated financial statements of LXi REIT plc as at 31 March 2023 and these financial statements may be obtained from 8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG.

ALCO 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

2. Accounting policies (continued)**2.2 Going concern**

After reviewing the liquidity, forecasts and projections which have been tested with different levels of reduced rent recovery, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its financial statements based on the Company's and wider Group's cash balance and available liquidity as well as the surplus in rental income after administrative, legal and financing costs.

Debt extension

The LXi REIT plc Group completed a refinancing of over £700m of debt post year end and extended a £60m facility during the year. The refinancing increased the weighted average term to maturity from 3 years at 30 September 2022 to 6 years at 31 March 2023.

2.3 Currency

The Company financial information is presented in Sterling which is also the Company's functional currency.

2.4 Investment in subsidiaries

The investment in subsidiaries are included in the Statement of Financial Position at cost less any provision for impairment.

2.5 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost, being the fair value of the consideration given, including expenditure that is directly attributable to the acquisition of the investment property. Subsequent to initial recognition, investment property is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in Statement of Comprehensive Income for the period in which they arise.

Subsequent expenditure is capitalised only when it is probable that future economic benefits are associated with the expenditure. All other property expenditure such as ongoing repairs and maintenance are expensed as incurred.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the Statement of Comprehensive Income in the period in which the property is derecognised.

Deferred acquisition costs represent costs incurred on investment properties which were acquired after the period and subsequently capitalised.

Significant accounting judgements, estimates and assumptions made in the valuation of investment properties are discussed in note 3.

ALCO 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

2. Accounting policies (continued)**2.6 Rental income**

Rental income from investment property is recognised on a straight-line basis over the expected term of ongoing leases. Lease incentives and step rents with minimum uplifts are spread evenly over the expected lease term.

2.7 Taxation

Taxation on the profit or loss for the period not exempt under UK REIT regulations is comprised of current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised as direct movement in equity, in which case it is recognised as a direct movement in equity. Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax that is provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

2.8 Trade and other receivables

Trade and other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognised at fair value, and subsequently where necessary re-measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence the Company will not be able to collect all amounts due in accordance with the original terms of the receivables. Balances are written off to the Statement of Comprehensive Income when the probability of recovery is assessed as being remote.

2.9 Trade and other payables

Trade and other payables are classified as current liabilities if payment is due within one year or less from the end of the current accounting period. If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost until settled.

ALCO 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial information:

- Leases - The Company as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company has determined that it retains all the significant risks and rewards of ownership of the properties and accounts for the contracts as operating leases. Properties leased out under operating leases are included in investment property in the statement of financial position. Rental income from operating leases is recognised on a straight line basis over the expected term of the relevant leases.

- Fair valuation of investment properties

The Company uses the valuation carried out by its Independent Valuer as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income and appropriate capitalisation rate. The Independent Valuer makes reference to market evidence of transaction prices for similar properties.

The Company's properties have been independently valued by Knight Frank LLP (the "Independent Valuer") in accordance with definitions published by the Royal Institute of Chartered Surveyors' ("RICS") Valuation - Professional Standards, July 2017, Global and UK Editions (commonly known as the "Red Book").

4. Turnover

	2023	2022
	£	£
Rental income from investment property	828,942	554,747
Lease incentives	(5,339)	179,226
Other property Income	-	381
	823,603	734,354

Revenue includes amounts receivable in respect of property rental income and is measured at the fair value of the consideration received or receivable. Rental income is derived from investment properties and is recognised on a straight line basis over the expected term of the relevant leases.

ALCO 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

5. Administrative expenses

	2023 £	2022 £
Legal and professional fees	3,782	-
Bad debt expenses	14,335	-
	<u>18,117</u>	<u>-</u>

The fee payable to the auditor in respect of the financial statements is borne by the ultimate parent undertaking. Fees payable to the Company's auditor for services other than the statutory audit of the company are not disclosed in the Company's financial statements since the consolidated accounts of LXI REIT plc are required to disclose non-audit fees on a consolidated basis.

6. Taxation

	2023 £	2022 £
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

ALCO 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

6. Taxation (continued)

Reconciliation of the total tax charge

The reconciliation of loss before tax multiplied by the standard rate of corporation tax for the period of 19% to the total tax charge in the income statement is as follows:

	2023 £	2022 £
(Loss)/profit on ordinary activities before tax	(1,187,678)	43,110
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	(225,659)	8,191
Effects of:		
REIT exempt income	604,360	123,145
Revaluation of investment properties	(378,701)	(131,336)
Total tax charge for the year	-	-

UK REIT exempt income includes property rental income that is exempt from UK Corporation Tax in accordance with Part 12 of CTA 2010.

7. Investment property

	2023 £	2022 £
Opening balance	12,825,000	12,790,000
Property acquisitions	3,503	547,018
Tenant lease incentives	(5,339)	179,226
Change in fair value during the year	(1,993,164)	(691,244)
Closing balance	10,830,000	12,825,000

In accordance with FRS 102, the investment properties has been independently valued at fair value by Knight Frank LLP ("KFL"), an accredited external valuer with recognised and relevant professional qualifications and recent experience in the location and category of the investment properties being valued, however the valuations are the ultimate responsibility of the Directors.

As at 31 March 2023 KFL valued the entire Alco 1 Limited property portfolio at £10,830,000 (31 March 2022: £12,825,000).

ALCO 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**8. Debtors**

	2023 £	2022 £
Trade debtors	206,139	186,613
Amounts owed by group undertakings	13,595,589	12,980,164
Other debtors	596	107
	<u>13,802,324</u>	<u>13,166,884</u>

Amounts owed by group undertakings are interest free and repayable on demand although it is noted that the balances may not be recovered within one year.

9. Cash and cash equivalents

	2023 £	2022 £
Cash held by Managing Agents	124,640	-
	<u>124,640</u>	<u>-</u>

10. Creditors: Amounts falling due within one year

	2023 £	2022 £
Amounts owed to group undertakings	961,793	961,793
Bad debt provision	14,335	-
Accruals and deferred income	63,063	124,640
	<u>1,039,191</u>	<u>1,086,433</u>

11. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
2,099 (2022: 2,099) Ordinary Shares shares of £1.00 each	2,099	2,099
	<u>2,099</u>	<u>2,099</u>

Share capital represents the nominal value of share capital subscribed for.

ALCO 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**12. Share premium account**

	2023 £	2022 £
Opening balance	11,183,194	11,183,194
Closing balance	11,183,194	11,183,194

Share premium relates to amounts subscribed for share capital in excess of nominal value.

13. Operating leases

At 31 March 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	731,570	729,572
Later than 1 year and not later than 5 years	2,920,285	2,920,285
Later than 5 years	20,110,192	20,841,763
	23,762,047	24,491,620

All of the Company's leases:

- are on full repairing and insuring terms, meaning the tenants are responsible for repair, maintenance and outgoing;
- provide for fixed rents (rather than turnover rents), which review on an upward only basis (either annually or five yearly). The vast majority have rent reviews directly linked to inflation or on a fixed basis; and
- have long contractual terms.

14. Post balance sheet events

No significant events have occurred after 31 March 2023 to the date the Directors approved the Financial Statements.

15. Related party transactions

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings not to disclose any transactions with entities that are included in the consolidated financial statements of its ultimate parent undertaking, LXi REIT plc.

ALCO 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

16. Controlling party

The Company is wholly owned by its immediate parent LXi Property Holdings 2 Limited a company incorporated in England and Wales. The Company's ultimate parent is LXi REIT plc a company incorporated in England and Wales. LXi REIT plc is the ultimate holding company which is the first and most senior parent that produces consolidated financial statements. There is no ultimate controlling party.