THE ARCH COMPANY PROPERTIES LIMITED

REGISTERED NUMBER: 11516452

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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THE ARCH COMPANY PROPERTIES LIMITED
FOR THE YEAR ENDED 31 MARCH 2022

Strategic Report

The strategic report had been prepared for The Arch Company Properties Limited ("Company") and its limited partnership ('the Group', 'we', 'our') as a whole to ensure greater emphasis on those matters that are significant to the Group.

Over the past year, we have continued to support our predominantly small and medium sized business customers as they recover from the Covid-19 pandemic. As a result of the financial support we provided to our customers – 1,600 of the most vulnerable received at least three months' rent free – occupancy across the estate has remained stable. The success of our customers has enabled our business to be successful. Total operating profit before valuation for the year was 5.69% compared to 4.54% in the previous year driven by a combination of investments, new lettings in previously vacant arches and bringing rents up to market levels. The Group continues to deliver strong financial results. There is also a commitment to carry on investing in the estate, our people and our systems. The Board agreed to accelerate the internalisation programme by appointing a new senior leadership team including the appointment of a new Chief Executive Officer, Craig McWilliam, in January 2022. Craig came with a wealth of experience in real estate and a proven track record to create and deliver value for all stakeholders.

Principal activities and performance review

The principal activity of the Group is renting commercial properties to small and medium-sized businesses. The portfolio contains in excess of 5,000 units spread throughout England and Wales. The majority of the units are located in urban centres such as London, Manchester, Birmingham, Leeds, Bristol and Newcastle.

The Group adopted a supportive approach to customers during Covid-19, providing rent free periods to those businesses that were most vulnerable due to imposed government restrictions. As a result, occupancy of the estate remained stable. Together with the deployment of capital investment, the Group's turnover has increased to £108,633,000 (2021 – £91,150,000).

Operating profit before valuation amounted to £44,937,000 (2021 - £35,824,000). Total comprehensive income before valuation yielded 3.08% (2021 - 1.92%) return on the partner capital contribution of £789,379,000 (2021 - £789,379,000).

Estate and Capital investments

One of the Group's core strategies is to invest in the estate to create space that enables our customers to thrive. Our ambition was set out in our 'Project 1000' plan, announced in October 2021, which commits us to invest £200m in the portfolio by 2030, and to bring 1,000 units, previously vacant or derelict, back into occupation. This investment will encourage hundreds of small and medium sized businesses to move onto our estate by rejuvenating previously empty and derelict arches, thereby bringing jobs and positive economic and social impact to local communities.

Our capital investment approach is demand-focused, understanding what our customers and our prospective customers' needs are, and tailoring our products to meet those needs.

The impact of Covid-19 paused the bulk of our capital investment activity but the Group has progressively resumed such activity over the last 12 months with an accelerated programme now developed.

During the year we completed schemes on sites at Bedford Ampthill Road £0.2m (To date - £2.3m including site acquisition), Brixton Triangle £0.4m (To date - £4.3m) and Herne Hill, Railton Road £0.2m (To date - £0.7m). New schemes started during the year were initially focused on light industrial and distribution development in major urban centres, particularly London, where demand conditions remained resilient. As Covid-19 restrictions were relaxed, a broader spectrum of minor projects were remobilised across the country along with starting design work on larger schemes and taking our first major projects onto sites at Findlater's Corner at the south side of London Bridge £0.7m and Culvert Place in Battersea £0.4m.

The Group invested £3.9m in projects during the year ended 31 March 2022. By the end of the year, we had 90 committed projects with a value of £50m and a short-term development pipeline of £90m. We have a committed capex loan facility with Royal Bank of Canada under which we can borrow up to 50% of capex and related spend. The company expects to borrow further amounts under the facility as capex spend is incurred.

Our development principles continue to be centered on the provision of good-value spaces specified to meet market demands. Standard designs, processes and framework agreements have enabled us to increase project delivery rapidly over the last year and have protected us from much of the volatility experienced by the wider construction sector. We remain committed to maintaining long-term relationships with key suppliers and have expanded our supply chain capacity through the first three months of 2022 to support the increasing workload.

The Group's portfolio has a low operational carbon profile with a high proportion of unheated light industrial properties and customers that serve local communities and thereby reduce travel-related emissions. Capital investment projects entail relatively low levels of embodied carbon, and we maintain a low carbon approach through the retention and re-use of existing structures and elements where possible. Construction waste is sorted to reduce landfill, and we are increasing our focus on the specification of components with recycled material content. We continue to promote the move to low-emission vehicles amongst our supply chain in the same way we have done with our own fleet, and encouraging similar initiatives are being adopted by our measured term contractors.

Operational

Occupancy of the estate remained stable during this period, thanks in part to the financial support provided by the Group to help the most vulnerable small and medium-sized independent, viable businesses survive the Covid-19 pandemic. The churn rate – the number of tenants leaving the estate – remained stable at 8%, down from 11% under the pre-2019 ownership.

Despite a challenging environment, our leasing activity has remained strong with 635k square feet of new lettings with a passing rent of £9.9m. The Group's overall occupancy of lettable units increased to 75.8% compared to 73.1% in the year ended 31 March 2021.

Strategic Report (continued)
Operational (continued)

In addition to the significant concessionary support already provided to our tenants, the Group has continued providing assistance in forms of payment plans, deferral and deposit utilisations.

Our accounts receivable balance increased to £53,259,000 (2021 - £44,042,000), with bad debt provision increasing to £18,356,000 (2021 - £10,426,000). The collection rate at the year-end was below the pre-pandemic rate of 98%, which resulted in the provision increasing to 34.46% (2021 - 23.67%) of gross debt. Since the lifting of the Moratorium on rent arrears recovery all debt recovery remedies have now become available with historic arrears being addressed with tenants.

Our People

The Group's people resources are provided through The Arch Company Property Services Limited, a company under common control. Details are on note 14 to the accounts.

The health and wellbeing of our employees is of paramount importance. The Group undertakes both informal and formal surveys to regularly assess how staff are feeling. In 2021 employees were surveyed about a return to the office and how that might look and work. In the main, there has been positive engagement, with the majority of employees now working on a hybrid basis. We continue to recognise the benefits that hybrid working brings and to support our people with more flexible arrangements.

We added an 'Inclusive Leadership' module to our management training course for all managers across the organisation. This helps them to begin to think about diversity and inclusion, and how it affects them, their team, and their performance collectively.

The rate of turnover of staff over the last 12 months has been approximately 13%. In a competitive labour market, with changes in market salary rates and the increase in inflation and living costs, recruitment in some parts of the business is proving to be a challenge.

Our people plan includes a recruitment strategy that focuses on diversity and inclusion and the retention of our talent.

Given the importance of our relationship with Network Rail (NR), there has been considerable focus on the interaction between the Group and NR. A bi-weekly safety forum, run and chaired by the Company, has become a highly effective method in which joint shared safety concerns can be discussed and resolved.

Customers

The Group is committed to providing a good level of customer service. We maintain a regular dialogue with representatives of Federation of Small Businesses and Guardians of the Arches. We have devised a number of changes to our customer service which are to be implemented next year, including the establishment of quarterly customer surveys, our first Arch Talks virtual town hall meeting with customers and a new Customer Advisory Forum made up of a small representative group of customers. We hope to use the feedback from the customer surveys and the online meetings to improve our offer to customers.

During the next financial year we will implement surveys about specific parts of the customer journey, such as taking a lease, to establish how we can improve each of these processes. Our aim is to make the arches better places for people to work, build and run businesses.

In July 2021, dozens of our customers took part in Arch Day, which was to celebrate the businesses under the arches. Nearly 20 customers benefitted from match funded grants of up to £2,500, funded by the Group and administered by community action charity Groundwork, to support their events.

We also publish and distribute to customers a bi-annual magazine called Arch Life, which celebrates the diverse businesses located in the arches.

Future Development

As referred to within the Estate and Capital investment section above, the Group is committed to bring over 1,000 empty and derelict units back into use by 2030 under our development plan, 'Project 1000'.

Although the labour market is competitive, we believe there are unique and rewarding career opportunities within the Group. The Group strongly values diversity and aims to be an inclusive employer.

By 31 March 2023, the technology team will be at full strength and delivering transformational projects. The roadmap starts with foundational activity across systems, data and governance. New platforms for development and automation have been introduced and are already delivering quick wins. Next steps involve improving agility and capacity for change through effective project management and standing up internal systems development capability. The near term will see delivery of the first phases of Keystone: a new line-of-business system that will improve our ability to manage customer-centric work and data flows.

We will be relocating our main London office by 31 March 2023 and will be assessing ways of working to ensure we support and help our staff to work effectively and collaboratively.

The Group became a standalone, autonomous operational business as of 30 September 2022, except where other arrangements have been agreed upon. This involved the TUPE transfer of staff from Telereal Trillium, a related company, recruitment of new roles and development and implementation of new IT systems.

In September 2022 the Group launched an Employee Hardship fund designed to provide short-term, supplemental emergency support to employees who are facing serious financial hardship and who cannot afford housing, utilities, and other basic living expenses as a result of certain unforeseen and unpreventable circumstances in relation to the rising cost of living.

THE ARCH COMPANY PROPERTIES LIMITED

FOR THE YEAR ENDED 31 MARCH 2022
Strategic Report (continued)

Going concern

As at 31 March 2022 the Group has net current assets of £23,589,000 (2021 - £29,288,000) and net assets of £1,653,056,000 (2021 - £975,643,000).

Although the impact of further Covid-19 incidences remains a risk, the UK economy rebounded in the early part of the financial year. However, we have recently seen signs of a slowdown given the current economic and geopolitical backdrop. Despite the macroeconomic headwinds, including rising food and fuel prices, the war in Ukraine and higher interest rates the Group continues to demonstrate business resilience aided by a strong balance sheet and an experienced Board and senior management team. Our risk planning has been thoroughly tested with the business responding well to these challenges with continued investment in our estate, our people and our systems. The directors, therefore, consider that the risk of the pandemic and the current economic uncertainties having a significant long-term impact on the Group is low. Significantly opportunities remain for the Group to increase rental income through investments, new lettings, and bringing rents up to market levels. The Group has experienced lower rent collection but has provided support, by way of rent concessions, deferrals, and utilisation of deposits to eligible tenants to ensure the majority of tenants have remained in occupation throughout the pandemic. The Group continues to work closely with our customers to help them manage their arrears position. The Group has provided a significant number of customers with extended payment plans, allowing them time to repay outstanding amounts.

The directors have reviewed assumptions about the Group's future performance, valuation, projections, capital projects, asset disposals,and debt requirements (including covenant compliance). This includes performing stress testing on potential risks and uncertainties facing the Group.

Based on this, the directors confirm that they have a reasonable expectation that the Group and Company will have adequate resources to continue its operations and meet its liabilities as they fall due for at least 12 months from the date of signing the financial statements. Hence the directors continue to adopt the going concern basis of preparation for the Group and Company financial statements□

Creditor payment policy

The Group pays it creditors in accordance with its contractual obligations. The average time the Group took to pay its trade debts based on trade accounts payable during the year was 58 days (2021: 62 days).

Principal risks and uncertainties

The Group is in a joint arrangement where the objective is to achieve medium to long-term revenue and capital growth from its interest in leasehold assets throughout the United Kingdom. The directors confirm that on a regular basis a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency and liquidity is carried out.

The directors are conscious of the prevailing conditions in the UK economy, and the risks and uncertainties faced by property companies in general. In summary, the directors consider the Group to be well organised and consider the impact of these risks to be low. This may provide competitive advantage to the Group during the current financial year, as considered in more detail below.

Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables.

Credit risk is the risk of the Group's net asset value changes due to a counterparty (debtor) defaulting on its obligations made to the Group. The Group has significant concentrations of credit risk within trade receivables which have been considered as below, although there is no significant concentration within any one customer.

Trade receivables
Trade receivables are presented in the balance sheet net of allowances for doubtful debts. The Group assesses on a forward-looking basis the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses the Group takes into account past payment behaviours and future expectations of likely default events i.e. not making payment on the due date based on individual customer internal credit ratings, actual or expected insolvency filings or company voluntary arrangements, likely deferrals of payments due to those tenants who were offered COVID-19 support and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer-by-customer basis.

Cash and cash equivalent
One of the principal credit risks of the Group arises from cash and deposits held with banks. The Group generally holds its cash with its bank account provider, which currently has a short-term rating of F1 (Fitch), P-1 (Moodys) or A-1 (S&P). The Group's treasury function performs regular reviews of the credit ratings of its financial institution counterparties to ensure they are of satisfactory financial strength.

Liquidity Risk

The directors monitor this risk and the liquidity position of the Group on a monthly basis through regular meetings to discuss and consider the potential timing of the maturity of its assets and liabilities and projected operating cash flows. There are currently no additional external capital requirements.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term secured debt. The Group has structured its debt arrangements such that in excess of 85.57% of its borrowings are at a fixed rate of interest with a long-term duration. The effective rate of interest for the Group is approximate to its long term fixed rate interest.

Key performance indicators

The key performance indicators of the Group are set out below:

• To ensure good levels of customer satisfaction.
• To create sustainable returns for shareholders through:
- growing the rent roll by letting out previously vacant arches;
- investing capital to refurbish poor-quality arches in our ownership.
- delivering efficiencies and using our scale more effectively; and
- improving working capital management and cash generation;
• To promote responsibility to achieve the highest practicable standards of health and safety and minimise the impact on the environment.
• To attract, develop, retain and motivate high-performance teams and individuals.

The Group has achieved sustainable returns to shareholders by providing a return on their investment through its profitable and cash-generative activities while continuing to maintain a healthy working capital position.

S172 Compliance Statement

The Board are pleased to provide a statement that supports S172 (1) of the Companies Act 2006. This requires that the directors promote the success of the Group for the benefit of the members as a whole, having regard to the interest of stakeholders in their decision-making. In doing this, S172 requires directors to have regard, amongst other matters, for the:

• likely consequences of any decisions in the long term;
• interests of the Group's employees;
• need to foster the Group's business relationships with suppliers, customers, and others;
• impact of the Group's operations on the community and environment;
• desirability of the Group maintaining a reputation for high standards of business conduct; and
• need to act fairly among members of the Group.

The Group and the directors embrace and fully support these reporting requirements.

Quality decision-making is supported by Board meetings. The directors' principal decisions are always driven by the need to promote the success of the Group for the benefit of its members as a whole, and, whilst taking principal decisions, they consider all of their duties under the CA 2006 as set out above. The impact of principal decisions on stakeholders is considered in detail and where applicable such discussions are noted in Board minutes.

The Group considers the stakeholder groups that are impacted by the Group, its decisions, and its business activities include the Group's employees, its customers, supply chain partners, the local environment and communities where our sites are situated as well as our shareholders.

The management teams and other employees take part in direct and indirect engagement with various stakeholder groups. The Group recognises the importance of its stakeholders. Without its dedicated and committed team of employees, the Group would be unable to provide high-quality levels of service and without its customers, the Group would be unable to benefit from revenue generation.

The Board considers and reviews each of the stakeholders as set out in the table below. Reports prepared by senior employees in relation to the activities and business functions of the Group are submitted to the senior leadership team for their consideration on a periodic basis throughout the year, and those reports give due consideration to those stakeholders relevant to the activity being reported on. By reviewing these matters at the highest level in the organisation, the directors can demonstrate that due regard has been given to the need to foster the Group's business relationships with customers, employees, communities and environment and suppliers, and the effect of that regard, including on the principal decisions taken by the Group during the financial year.

Examples of principal decisions made during the year are:

The decision to pay a distribution of £32,922,000. In doing so the directors considered the needs of investors. It also was determined that the business could continue as a going concern, despite the payment of the distribution, and in that context, the distribution was determined not to be detrimental to any of the Group's stakeholders.

The Group strongly values diversity and aims to be an inclusive employer. During the year the Group ran a diversity and inclusive questionnaire to collect base data from our employees. This allowed us to understand the areas of focus for the short-term period and this was in gender and ethnicity, particularly at more senior levels within the Group.

The Board initiated an operational internalisation of the group from Telereal Trillium. Principal decisions made to this end included senior management recruitment (including CEO, Head of Asset Management, and Chief Technical Officer), the transfer of 19 Telereal Trillium staff to employment under the Group, and recruitment and software implementations as necessary to minimise the Group's dependency on Telereal Trillium for operational support. Business functions significantly impacted by these activities include company secretariat, corporate finance, human resources, and information technology. Internalisation has been achieved, except where other arrangements have been agreed by the Board.

During the Covid-19 pandemic we took a conservative approach to investment, reducing on site activity and focusing on prime assets and light industrial and distribution development in major urban centres where demand conditions remained resilient. Following the easing of government-imposed restrictions in late summer 2021, the decision was taken to fully remobilise our development pipeline. Activity in Q3 and Q4 FY21/22 focussed on commencing construction on minor capex (high volume, high return) projects alongside major projects at Findlater's Corner in London Bridge (£3.4m), Culvert Place in Battersea (£0.5m) and Raymouth Road in Bermondsey (£1.6m). In parallel, we initiated feasibility works at Bermondsey Junction (previously referred to as Bermondsey Dive Under) and comprehensively reviewed our long-term major capex pipeline in preparation to initiate further feasibility studies early in FY22/23, during which period we expect a significant further increase as major capex projects progress to site.

Strategic Report (continued)
S172 Compliance Statement (continued)

	Understanding stakeholders interests	Board engagement with stakeholders	Output
Customers	• Restrictions on operating due to COVID-19 • Inability to generate income due to fall in footfall. • Planning for the future and adapting to change.	• Regular direct engagement with customers through various forums.	• Engagement with customers requiring support due to Covid-19 arrears. • We also publish and distribute to customers a bi-annual magazine called Arch Life, which celebrates the diverse businesses located in the arches. • Covid-19 Recovery Unit set up with webpage where customers can request payment plans if they are struggling to pay. • Quarterly online customer surveys, virtual town hall 'Arch Talks' meetings both started in the last year. Customer Advisory Forum being set up for next year.
Employees	• Our employees are the centre of our business strategy, and essential to its delivery and success. • Planning for the future and adapting to change.	• The Group coordinates an anonymous Group-wide employee engagement survey, the results of which and actions to be taken are reviewed and considered by the Executive Committee.	• In 2021 employees were surveyed about a return to the office and how that might look and work. Flexible working arrangements are in place but continue to be reviewed. • We set up a Diversity and Inclusive group that has been meeting regularly and has begun to make action plans based on the protected characteristics plus mental health. This group has also drafted some targets that need to be finalised and socialised across the organisation. • We added an 'Inclusive Leadership' module to our management training course for all managers across the organisation. This helps them to begin to think about inclusivity, and how it affects them, their team, and their performance collectively. It is hoped that this training module encourages managers to have brave discussions on this subject and to be mindful of it when they are recruiting new employees.

Strategic Report (continued)
S172 Compliance Statement (continued)

	Understanding stakeholders interests	Board engagement with stakeholders	Output
Communities and environment	• Challenges of supporting customers and the communities in which they operate. • Investment in our estate - Project 1000.	• The Group is committed to creating a positive social and economic impact in line with the commitments in our Tenants' Charter. This includes a range of initiatives and partnerships with charities and community organisations and is reviewed each year by the Board. • The Board approves specific budgets for a variety of donations that will be made throughout the year. • Regular updates via customer newsletter and social media.	• The Environment, Social and Governance (ESG) internal working group explores ways to reduce our emissions and promote sustainability. Our energy tariff is 100% renewable, and we have purchased Electric Vehicles for the team in London. • Approved match-funded grant schemes with local communities to support tenant led community events across the country as part of Arch Day 2021. • Investment will encourage hundreds of small and medium sized businesses to move onto our estate by populating previously empty and derelict arches, thereby bringing jobs and positive economic and social impact to local communities.
Our partners	• Key element of the Group's success is partner relationships. The Group relies on the expertise of our partners to bring knowledge and experience in specialist areas to complement our strengths.	• The board engagement is indirect, as they receive monthly updates from senior members of the ongoing projects and, presentations regarding any new proposals.	• Regular meetings with partners regarding project status and for critical assessment on the delivery of projects.
Investors	• As owners of the Group's business, investors provide invaluable investments into the Group.	• Regular Investors' meetings. • Quarterly distribution meetings.	• Delivering sustainable short-term (distributions) and long-term returns.

Approved by the Board of Directors on 13 December 2022 and signed on its behalf by:

Russell Gurnhill
Director

Adam Dakin
Director

Signed for and on behalf of the Group as directors of The Arch Company Properties Limited.

THE ARCH COMPANY PROPERTIES LIMITED
FOR THE YEAR ENDED 31 MARCH 2022

DIRECTORS' REPORT

The directors present its Annual Report and the consolidated financial statements of The Arch Company Properties Limited together with its subsidiary undertaking (the 'Group') for the year ended 31 March 2022. The prior period was a 12 month period ended 31 March 2021.

Matters covered in the strategic report

Details of principal activities, business review, future developments and financial risk management can be found on pages 3 to 8 in the Strategic Report. They form part of this report by cross-reference.

Stakeholder engagement

A statement setting how the directors engage with and have regard for; employees, suppliers, customers and other stakeholders and how that effects the principal decisions made by the company, as required by section 172 of the Companies Act 2006, is set out in the Strategic report on pages 3 to 8.

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006), commonly known as Directors and Officers Insurance, in relation to certain losses and liabilities which the directors may incur (or have incurred) to third parties in the course of their professional duties, were in force for the directors for their periods of directorship and at the date of this report.

Streamline Energy and Carbon Reporting (SECR) disclosure

Streamlined Energy and Carbon Reporting (SECR) requirements are relevant to the Group, however, The Arch Company Properties Limited is the general partner with no trade and its footprint is below the threshold requirements for reporting, while the subsidiary's legal form is a qualifying partnership which is not subject to SECR requirements.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:
Adam Dakin
Graham Edwards
Russell Gurnhill
Graeme Hunter
Farhad Karim (resigned 14.02.2022)
Gemma Kataky
Adam Shah
Michael Vrana (resigned 12.04.2021)
Luigi Caruso (appointed 12.04.2021)
Jeremie Veisse (appointed 14.02.2022)

Results, distributions and dividend

The Group's results for the year ended 31 March 2022 are set out in the Group's consolidated statement of comprehensive income on page 15. The distribution paid to its Limited Partner, CDR Midco L.P. for the year amounted to £32,923,000 (2021 - £4,579,000). The company do not propose the payment of dividend (2021:£nil) to its shareholders.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' report 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 UK-adopted international accounting standards.

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 Group and the company and of the profit or loss of the Group and 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 UK-adopted international accounting standards 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 Group and the company will continue in business.

The directors are responsible for safeguarding the assets of the Group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' REPORT (continued)

Directors' confirmations
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 Group's and 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 Group's and the company's auditors are aware of that information.

The independent auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under the Companies Act 2006, s.487(2).

This report was approved by the board on 13 December 2022 and signed on its behalf.

Aaron Burns
Signed for and on behalf of the Group as secretary of Telereal Services Limited, the corporate secretary of the general partner.

Independent auditors' report to the members of The Arch Company Properties Limited

Report on the audit of the financial statements

Opinion

In our opinion, The Arch Company Properties Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance Sheet as at 31 March 2022; the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flow 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 group 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 group's and 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 group's and 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 or, 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 Strategic report and 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.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2022 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and 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 in respect of the financial statements, 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 group's and 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 group or 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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation and the Landlord and Tenant Act 1985, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud
- Reviewing minutes of meetings of those charged with governance
- Performing procedures over any unusual journal entries
- Designing audit procedures to incorporate unpredictability into our testing
- Challenging assumptions made by management in determining their judgements and accounting estimates
- Review of financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations
- Engaging valuations experts to review the investments property valuation

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 December 2022

THE ARCH COMPANY PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Revenue	3	108,633	91,150
Operating costs	4	(63,696)	(55,326)
		44,937	35,824
Net surplus on revaluation of investment properties	8	686,056	119,721
Operating profit		730,993	155,545
Finance income	6	51	74
Finance expense	6	(20,709)	(20,720)
Profit and total comprehensive income for the year		710,335	134,899
Tax	7	-	-
Profit and total comprehensive income for the year after taxation		710,335	134,899
Attributable to:			
General Partner		-	-
Limited partner		710,335	134,899
		710,335	134,899

All amounts relates to continuing operations.

The notes on pages 22 to 34 are an integral part of these financial statements.

THE ARCH COMPANY PROPERTIES LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Assets			
Non-current assets			
Investment properties	8	2,450,000	1,760,000
Trade and other receivables	10	2,454	-
Total non-current assets		2,452,454	1,760,000
Current assets			
Trade and other receivables	10	36,111	35,710
Restricted cash	11	11,174	8,820
Cash and cash equivalents	12	41,299	41,933
Total current assets		88,584	86,463
Total assets		2,541,038	1,846,463
Current liabilities			
Trade and other payables	13	(54,595)	(48,858)
Amount owed to related parties	14	(9,231)	(7,294)
Provisions	18	(1,169)	(1,023)
Total current liabilities		(64,995)	(57,175)
Non-current liabilities			
Borrowings	15	(814,231)	(807,945)
Other non-current liabilities	16	(8,756)	(5,700)
Total non-current liabilities		(822,987)	(813,645)
Total liabilities		(887,982)	(870,820)
Net assets		1,653,056	975,643
Equity			
Share capital	19	-	-
Retained earnings		-	-
Equity attributable to the equity holders of the parent		-	-
Non-controlling interest		1,653,056	975,643
Total equity		1,653,056	975,643

The financial statements were approved for issue by the directors on 13 December 2022 and signed on its behalf by

Russell Gurnhill
Director

Adam Dakin
Director

Signed for and on behalf of the Group as directors of The Arch Company Properties Limited.

The notes on pages 22 to 34 are an integral part of these financial statements.

THE ARCH COMPANY PROPERTIES LIMITED

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

	Company's equity £'000	Non-controlling Interest £'000	Total equity £'000
At 1 April 2020	-	845,323	845,323
Transaction with owners			
Distributions	-	(4,579)	(4,579)
	-	(4,579)	(4,579)
Total comprehensive income for the year	-	134,899	134,899
At 31 March 2021 and 1 April 2021	**-**	**975,643**	**975,643**
Transaction with owners			
Distributions	-	(32,922)	(32,922)
	-	(32,922)	(32,922)
Total comprehensive income for the year	-	710,335	710,335
At 31 March 2022	**-**	**1,653,056**	**1,653,056**

The notes on pages 22 to 34 are an integral part of these financial statements.

THE ARCH COMPANY PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Cash flows from operating activities		
Operating profit	730,993	155,545
Net surplus on revaluation of investment properties	(686,056)	(119,721)
Increase in provisions	146	1,023
(Increase)/Decrease in restricted cash (tenant deposits)	(2,354)	5,443
Increase)/(Decrease) in other creditors (tenant deposits)	2,518	(5,610)
Increase in receivables	(2,855)	(9,530)
Increase in related party balance	1,937	2,677
Increase in trade and other payables	6,181	10,629
Increase in other creditors	94	366
Net cash generated from operating activities	50,604	40,822
Cash flows from investing activities		
Acquisition of investment properties and capital expenditure	(3,944)	(2,279)
Net cash used in investing activities	(3,944)	(2,279)
Cash flows from financing activities		
Proceeds from loans and borrowings	5,520	-
Interest received	51	74
Interest paid	(19,943)	(19,991)
Distribution to non-controlling interest	(32,922)	(4,579)
Net cash used in financing activities	(47,294)	(24,496)
Net change in cash and cash equivalents	(634)	14,047
Cash and cash equivalents at the beginning of the year	41,933	27,886
Cash and cash equivalents at the end of the year	41,299	41,933
Cash and cash equivalents at the end of year comprise:		
Cash and cash equivalents	41,299	41,933

The notes on pages 22 to 34 are an integral part of these financial statements.

THE ARCH COMPANY PROPERTIES LIMITED
REGISTERED NUMBER: 11516452

COMPANY BALANCE SHEET
AS AT 31 MARCH 2022

	Note	31 March 2022	31 March 2021
		£	£
Non-Current assets			
Investments	9	2	2
Current assets			
Trade and other receivable	10	3,427	3,002
Total current assets		3,427	3,002
Total assets		3,429	3,004
Current liabilities			
Amount owed to related parties	14	2	192
Taxation	7	190	380
Total current liabilities		192	572
Net assets		3,237	2,432
Equity			
Capital and Reserves attributable to shareholders			
Share capital	19	2	2
Retained earnings		3,235	2,430
Total equity		3,237	2,432

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account. The Company recorded a profit after tax of £805 (2021 - £810) for the financial year.

The financial statements were approved for issue by the Board of Directors on 13 December 2022 and signed on its behalf by

Russell Gurnhill
Director

Adam Dakin
Director

The notes on pages 22 to 34 are an integral part of these financial statements.

THE ARCH COMPANY PROPERTIES LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £	Retained earnings £	Total equity £
At 01 April 2020	2	1,620	1,622
Transactions with shareholders	-	-	-
	2	1,620	1,622
Comprehensive income for the year			
Profit and total comprehensive income for the year	-	810	810
At 31 March 2021 and 1 April 2021	2	2,430	2,432
Comprehensive income for the year			
Profit and total comprehensive income for the year	-	805	805
At 31 March 2022	2	3,235	3,237

The notes on pages 22 to 34 are an integral part of these financial statements.

THE ARCH COMPANY PROPERTIES LIMITED
COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Cash flows from operating activities		
Profit before tax	995	1,000
Adjustments for:		
Taxation	(190)	-
Increase in amounts owed by related parties	(805)	(1,000)
Net cash used in operating activities	-	-
Cash flows from investing activities		
Investment in subsidiary	-	-
Net cash generated from investing activities	-	-
Cash flows from financing activities	-	-
Interest paid	-	-
Net cash generated from financing activities	-	-
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-
Cash and cash equivalents at the end of year comprise:		
Cash balances	-	-

The notes on pages 22 to 34 are an integral part of these financial statements.

1 Accounting policies

General Information

The Arch Company Properties Limited ('the Company') is a limited company established in England and Wales with a registered address of 140 London Wall, London, EC2Y 5DN. The Company is the general partner of The Arch Company Properties L.P. ('the Partnership'), a limited partnership established in England and Wales, with the same registered address. Together the Company, the Partnership and any of their subsidiaries are referred to as the Group.

As its general partner, the Partnership is managed by the Company in accordance with the Partnership's Limited Partnership Agreement dated 14 August 2018, as restated by a deed of adherence dated 16 August 2018 ('the LPA'). The directors of the Company are therefore responsible for management, operation and administration of the affairs of the Group.

The Group business, as more fully described in the Strategic Report, is the ownership and renting of commercial properties to small and medium-sized businesses.

The directors presents its Annual Report and financial statements for the year ended 31 March 2022. The prior period was a 12 month period ended 31 March 2021.

Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the UK- adopted International accounting standards in conformity with the requirements of the Companies Act 2006. Under regulation 7 of the Partnership (Accounts) Regulations 2008, the Partnership is exempted from the requirement to prepare statutory financial statements as the Partnership is dealt with on a consolidated basis in these financial statements.

The Group's financial statements have been prepared in Sterling (rounded to the nearest thousand pound), which is the functional and presentational currency of the Group. The company's financial statements is rounded to the nearest pound.

Going concern

As at 31 March 2022 the Group has net current assets of £23,589,000 (2021 - £29,288,000) and net assets of £1,653,056,000 (2021 - £975,643,000).

Although the impact of further Covid-19 incidences remains a risk the UK economy rebounded in the early part of the financial year. However, we have recently seen signs of a slowdown given the current economic and geopolitical backdrop. Despite the macroeconomic headwinds, including rising food and fuel prices, the war in Ukraine and higher interest rates the Group continues to demonstrate business resilience aided by a strong balance sheet and an experienced Board and senior management team. Our risk planning has been thoroughly tested with the business responding well to these challenges with continued investment in our estate, our people and our systems. The directors, therefore, consider that the risk of the pandemic and the current economic uncertainties having a significant long-term impact on the Group is low. Significantly opportunities remain for the Group to increase rental income through investments, new lettings, and bringing rents up to market levels. The Group has experienced lower rent collection but has provided support, by way of rent concessions, deferrals, and utilisation of deposits to eligible tenants to ensure the majority of tenants have remained in occupation throughout the pandemic. The Group continues to work closely with our customers to help them manage their arrears position. The Group has provided a significant number of customers with extended payment plans, allowing them time to repay outstanding amounts.

The directors have reviewed assumptions about the Group's future performance, valuation, projections, capital projects, asset disposals,and debt requirements (including covenant compliance). This includes performing stress testing on potential risks and uncertainties facing the Group.

Based on this, the directors confirm that they have a reasonable expectation that the Group and Company will have adequate resources to continue its operations and meet its liabilities as they fall due for at least 12 months from the date of signing the financial statements. Hence the directors continue to adopt the going concern basis of preparation for the Group and Company financial statements.

Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year, the impact of which is outlined below.

A number of new amendments to the standards listed below came effective from 1 April 2021. These new amendments do not have any impact on the Group's income statement or balance sheet.

Amendment to IFRS 16, 'Leases' - Covid-19 related rent concessions.
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

No endorsed but not yet effective amendments to UK-adopted international accounting standards have been early adopted by the Group. No amendments are expected to have a material impact on the Group.

Lease terms

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

1 Accounting policies (continued)

Revenue

Rental income, including fixed rental uplifts, is recognised in the Statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit out or similar costs, are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned. Where a single payment is received from a tenant to cover both rent and service charge, the service charge component is separated and reported as service charge income.

Surrender premium, for early determination of a lease, is recognised as revenue immediately upon receipt, net of dilapidation and non-recoverable outgoings relating to the lease concerned.

Rent free incentives, as a results of our COVID-19 support, have been recognised at the earlier of the notice date or lease end period.

For tenants of investment properties, the services i.e. cyclical maintenance, security, reactive maintenance, utilities etc that are provided may form part of the lease agreements into which the Group enters as a lessor. Through the overall property management strategy, the Group has determined that they will deliver these services to meet its obligations. The individual activities that comprise these performance obligations may vary in nature however, the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consume the benefits provided by the Group. The only exception are reactive works, as by their very nature they are adhoc, not planned and do not happen on a regular basis. However, when a specific reactive work event occurs, and if recoverable, this is charged to the tenant alongside the other services included within the Group performance obligation.

Operating Costs

Operating costs are recognised in the Statement of Comprehensive Income on an accruals basis. Operating costs consist of operational, legal expenses and management charges.

Investment properties

Investment properties are properties, either owned or leased by the Group, that are held either to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost including related transaction costs, and subsequently at fair value. Investment properties are carried in the financial statements at fair values based on the latest professional valuation on an open market basis as of each reporting date. The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the Statement of comprehensive income as a valuation surplus or deficit. Investment properties are presented on the balance sheet within non-current assets.

Capital expenditure on properties consists of costs of a capital nature, including costs associated with developments and refurbishments. Where a property is being developed or undergoing major refurbishment the direct expenditure on the property is capitalised. The interest is not capitalised.

Investment in subsidiaries

Subsidiaries are entities over which the Group/Company has control. The Group/Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity. Investments are stated at cost.

Capital expenditure

Costs associated with capital work and refurbishments are capitalised.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. The partnership calculates the expected credit loss on a monthly basis based on the lifetime expected credit losses under the IFRS 9 simplified method.

In determining the expected credit losses the Group takes into account any past payment behaviours and future expectations of likely default events i.e. not making payment on the due date based on individual customer internal ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which our tenants operate.

In order to work out the default rate the Group has grouped its tenants into different recoverability categories. The Group then uses historical data from February 2019 to March 2022 (2021 - February 2019 to March 2021) to analyse the collection by time buckets in order to work out the default rate. This was then applied to the year end debtor balance to arrive at the expected credit loss.

Trade and other receivables are written off once all avenues to recover the balances are exhausted.

Monies held in restricted accounts

Monies held in restricted cash account represent deposits held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, does not meet the definition of cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits held at call with banks.

1 Accounting policies (continued)

Borrowings

Borrowings, other than bank overdrafts, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost. Finance charges including arrangement fees and direct finance costs are spread over the period to maturity of the respective loans. Exceptional finance charges incurred due to early redemption and indirect finance costs are recognised in the Statement of comprehensive income as and when incurred.

When debt refinancing exercises are carried out, existing liabilities will be treated as being extinguished when the new liability is substantially different from the existing liability. In making this assessment, the Group will consider the transaction as a whole, taking into account both qualitative and quantitative characteristics.

Taxation

The Group is domiciled in the United Kingdom. Under the current laws of the United Kingdom, there is no income, estate, corporation, capital gains or other taxes payable by the Group. Any other tax liability arising on the activities of the Group will be borne by its partners. The company pays corporation tax on its fixed income of £1,000 priority share per annum received from the partnership.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets including trade and other debtors or amounts owed by related undertakings are recognised at transaction price and as the transactions do not have any financing arrangement the assets are stated at amortised cost.

Financial liabilities

All financial liabilities are recognised initially at fair value and subsequently stated at amortised cost.

Provision for liabilities and charges

A provision is recognised in the balance sheet when there is a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Non controlling interest's equity

Equity comprises loans advanced to the Partnership by its limited partner CDR Midco L.P.. As the loans are interest free, with no repayment terms and is the key determinant of the proportion of which the funds are allocated to the partner, they are treated as non controlling interest's equity in the consolidated balance sheet.

2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with International Accounting Standards in conformity with the requirements of Companies Act 2006, requires management to make judgements, estimates and assumptions in certain circumstances that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Partner contributions and advances - Judgement

The Group has treated the advances and capital contributions made by the limited partner of the Partnership as equity. The directors of the Company have the contractual right to determine the amount and timing of distributions, and to require additional funding from the limited partner for investment. Management has made a judgement that given that the directors have these unconditional rights, the partner advances and capital contributions are treated as equity in accordance with IAS 32.

2 Significant accounting judgements, estimates and assumptions (continued)

Valuation of the Group's properties - Estimate

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuation the Group places on its property portfolio are subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market.

The investment property valuation contains a number of assumptions upon which the Group's valuer has based its valuation of the Group's properties. The assumptions on which the property valuation report have been based include, but are not limited to, future matters such as the tenure and tenancy details for the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation.

The general risk environment in which the Group 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 with the lifting of the lockdown, resulting in improvements in the performance of the business driven by a combination of investment, new lettings, and bringing rents to market levels. The unpredictable nature of the Ukraine and Russia conflict, its impact globally, and the uncertain timeline for any resolution mean that there is a risk the value of this asset may be subject to greater volatility than would usually be expected. The directors do not consider the conflict at the valuation date to have had a material impact on the Group's financial statements. Additionally, our valuers consider there to be no current evident impact of the conflict on the valuation at 31 March 2022.

This valuation has been undertaken at 31 March 2022 and 31 March 2021 in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuation Standards, and the RICS UK National Supplement. References to the "Red Book" refer to either or both of these documents, as applicable.

Impairment of trade receivables - Estimate

The Group's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments, in particular, the Group's assessment of expected insolvency filings or company voluntary arrangements or likely deferrals of payments due. As a result, the value of the provisions for impairment of the Group's trade receivables are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate. The default rate used in the expected credit loss calculation is based on past data which may not necessarily reflect the true future position.

3 Revenue

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Rental income	103,056	86,426
Turnover rent	534	408
Service charge income	1,578	1,418
Other property related income	3,465	2,898
	108,633	91,150

4 Operating Costs

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Service charge expenses	2,020	1,872
Direct property expenditure	13,313	11,202
Bad debt provision and write off	7,995	7,987
Indirect expenses	40,368	34,265
	63,696	55,326

5 Auditors' remuneration

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements	5	5
Fees payable to the Group's auditors and their associates for the audit of the Group's annual financial statements	120	110
	125	115

The audit fee was paid and borne on the Group's behalf by The Arch Company Services Limited, an associated company.

6 Net finance expense

	Year ended 31 March 2022	Year ended 31 March 2021
	£'000	£'000
Finance income		
Bank interest received	51	74
Finance expense		
Bank loan interest payable	(19,823)	(19,874)
Refinancing expense and amortisation	(886)	(844)
Other interest	-	(2)
	(20,709)	(20,720)
	(20,658)	(20,646)

7 Taxation

Income tax recognised in profit and loss

	Year ended 31 March 2022	Year ended 31 March 2021
	£	£
Current tax	190	190
Current tax on profit for the year	190	190

Factors affecting tax charge for the year

The trading entity within this Group is The Arch Company Properties L.P., a partnership. Under the current laws of United Kingdom, there is no income, estate, corporation, capital gains or other taxes payable by the partnership. Any tax liability arising on the activities of the partnership are borne by its partners. The tax charge in the financial statements solely relates to the fixed sum of £1,000 per annum (2021 - £1,000) that the Company receives from the Partnership.

	Year ended 31 March 2022	Year ended 31 March 2021
	£'000	£'000
Profit before tax	710,335	134,899
Profit before tax multiplied by the rate of corporation tax in the UK of 19% (2021 : 19%)	134,964	25,631
Effects of:		
Partnership income	(134,964)	(25,631)
Total tax expense	-	-

Changes in tax rates and factors affecting the future tax charges

There are no factors that may affect future tax charges.

Current tax liabilities (Company)

	31 March 2022	31 March 2021
	£	£
Corporations tax payable	(190)	(380)
Total tax liabilities	(190)	(380)

8 Investment properties

	31 March 2022	31 March 2021
	£'000	£'000
Brought forward value	1,760,000	1,638,000
Acquisitions	-	(1,190)
Capital expenditure	3,944	3,469
Net surplus on revaluation of investment properties	686,056	119,721
Net book value at the end of the year	2,450,000	1,760,000

8 Investment properties (continued)

Valuation process

Investment properties are properties that are held to earn rental income and are not occupied by the Group or its related parties. They are carried at fair value and the changes in the fair value are reflected in the statement of comprehensive income.

It is recognised that, in certain circumstances, it is more appropriate to value a portfolio of properties as a single entity. VPGA 9 of the RICS Valuation - Global Standards, provides guidance in respect of the identification of portfolios, collections and Groups of properties. VPS 1 and VPS 3 also recognise the importance of letting the properties for valuation in the manner most likely to be adopted in the case of an actual sale. This is due to the long term advantages of managing the assets as a single entity and the spread of risk that the portfolio of this scale provides.

Therefore the portfolio has been valued as a single entity, and although individual units or collections of units could be isolated within our cashflow to provide a value apportionment this does not necessarily represent the Fair Value for specific unit(s).

Valuation bases

The external valuers opinion of value was based on the fair value of the leasehold interest in its current physical condition, subject to tenancies and market rent.

The Group considers all of its investment properties to fall within 'Level 3', as defined by IFRS 13. The inputs to the valuation are defined as unobservable by IFRS 13. The unobservable inputs used in the valuation include market rental value and capitalisation yields. These inputs to the valuation are analysed per the table below. If all other factors remain constant an increase in rental income would increase the valuation, whilst increases in the capitalisation yields would result in a decrease in valuation.

The Group's total property portfolio was valued by an external valuer on the basis of fair value at 31 March 2022 and 31 March 2021, in accordance with RICS Valuation. The information provided to the valuer, and assumptions and valuation models used by the valuer, are reviewed by the asset management team and the executive committee. The valuer has had direct communication with the external auditors and has presented their findings to them.

Investment properties are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to current and future rental streams net of property costs. The capitalisation yields and future rentals are based on comparable properties and leasing transactions in the market using the valuers' professional judgement and market observation.

The general risk environment in which the Group 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 with the lifting of the lockdown, resulting in improvements in the performance of the business driven by a combination of investment, new lettings, and bringing rents to market levels. The unpredictable nature of the Ukraine and Russia conflict, its impact globally, and the uncertain timeline for any resolution mean that there is a risk the value of this asset may be subject to greater volatility than would usually be expected. The directors do not consider the conflict at the valuation date to have had a material impact on the Group's financial statements. Additionally, our valuers consider there to be no current evident impact of the conflict on the valuation at 31 March 2022.

The directors have satisfied themselves that the valuation process is sufficiently rigorous and supports the carrying value of the Group's properties in the financial statements.

The tables below summarises the key unobservable inputs in the valuation of the investment properties as at 31 March 2022:

	Blended Yield	Net rental value £'000	Market Value £'000
London	3.55%	78,858	2,065,157
Outside London	4.33%	17,939	385,399
	3.68%	96,797	2,450,556

Yield sensitivity analysis

	Minus 25 bps	Blended Yield	Plus 25 bps
London	3.30%	3.55%	3.80%
Outside London	4.08%	4.33%	4.58%

Market value based on yield movement

	Minus 25 bps £'000	Blended Yield £'000	Plus 25 bps £'000
London	2,210,379	2,065,157	1,919,821
Outside London	407,558	385,399	363,042
	2,617,937	2,450,556	2,282,863

8 Investment properties (continued)

The tables below summarises the key unobservable inputs in the valuation of the investment properties as at 31 March 2021:

	Blended Yield	Net rental value £'000	Market Value £'000
London	4.41%	73,158	1,533,565
Outside London	6.80%	16,794	228,310
	4.72%	89,952	1,761,875

Yield sensitivity analysis

	Minus 25 bps	Blended Yield	Plus 25 bps
London	4.16%	4.41%	4.66%
Outside London	6.55%	6.80%	7.05%

Market value based on yield movement

	Minus 25 bps £'000	Blended Yield £'000	Plus 25 bps £'000
London	1,625,757	1,533,565	1,451,292
Outside London	237,024	228,310	220,214
	1,862,781	1,761,875	1,671,506

Leasing arrangements

The investment properties are leased to tenants under operating leases with rental payments due monthly, quarterly or half yearly. Lease payments for some leases may include an inflationary uplift. Although, the Group is exposed to changes in residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not realise any reduction in residual value at the end of these leases.

Minimum lease payments receivable on leases of investments properties are as follows:

	31 March 2022 £'000	31 March 2021 £'000
Within 1 year	82,948	73,426
Between 1 and 2 years	60,033	48,673
Between 2 and 3 years	52,969	43,540
Between 3 and 4 years	49,075	38,236
Between 4 and 5 years	42,647	35,299
Later than 5 years	610,132	601,671
	897,804	840,845

9 Investments - company

Investment in subsidiaries is measured at cost.

	31 March 2022 £	31 March 2021 £
At 31 March 2022 and 2021	2	2
	2	2

The investment represents 100% holding of ordinary shares in CDR Nomineeco 1 Ltd and CDR Nomineeco 2 Ltd which are dormant companies in both years. Both subsidiary undertakings are registered in England and Wales, with registered office at 140 London Wall, London, EC2Y 5DN.

10 Trade and other receivables

	31 March 2022 £'000	31 March 2021 £'000
Net trade receivables	34,903	33,616
Tenant lease incentives	375	1,209
Prepayments	360	446
Accrued income	372	375
Other receivables	101	64
	36,111	35,710

(i) Trade and other receivables

Trade and other receivables includes lease incentives which were granted to encourage tenants to remain in properties for longer lease periods. The value of the tenant lease incentives, included in current and non-current trade and other receivables, is spread over the non-cancellable life of the lease.The amount to be recognised within a year amounts to £375,000 and after more than a year amounts to £2,454,000. The accounting for lease incentives is set out in the Accounting policies note.

None of the Group's other receivables are due and therefore no ageing has been shown (2021 - same).

10 Trade and other receivables (continued)

Ageing of trade receivables
Gross trade receivable by later of invoice or due date

31 March 2022	Not impaired £'000	Impaired £'000	Gross trade receivables £'000
Within 30 days	11,528	1,037	12,565
Between 31 to 60 days	2,191	764	2,955
Between 60 to 180 days	5,304	1,927	7,231
Between 180 to 360 days	6,697	4,294	10,991
Over 360 days	9,183	10,334	19,517
	34,903	18,356	53,259

31 March 2021	Not impaired £'000	Impaired £'000	Gross trade receivables £'000
Within 30 days	6,023	221	6,244
Between 31 to 60 days	9,156	1,092	10,248
Between 60 to 180 days	8,000	2,133	10,133
Between 180 to 360 days	7,294	3,334	10,628
Over 360 days	3,143	3,646	6,789
	33,616	10,426	44,042

As at 31 March 2022, the partnership's gross receivables were 65.53% (2021 - 76.33%) unimpaired and 34.47% (2021 - 23.67%) impaired based on the partnership's recoverability categorisation and default rate. Based on the balance as at 31 March 2022, a 5% increase/(decrease) in the default rate would increase/(decrease) the bad debt provision in the statement of comprehensive income and reduce/(increase) equity by £682,200 (2021 : £304,900).

Movements in allowance for doubtful debts

	31 March 2022 £'000	31 March 2021 £'000
At the beginning of the year	10,426	2,574
Provision for the year	7,930	7,852
At the end of the year	18,356	10,426

Trade and other receivable (company)

	31 March 2022 £	31 March 2021 £
TT CDR Assetco Limited	1	1
BX CDR Holdco Limited	1	1
The Arch Company Properties L.P.	3,425	3,000
	3,427	3,002

The amounts owed by related parties are interest-free, unsecured and repayable on demand. There are no material differences between the carrying value and the fair value of debtors as at 31 March 2022 (31 March 2021 - same). The detailed transactions between the parties are disclosed in the Related Party note 14.

11 Restricted cash

	31 March 2022 £'000	31 March 2021 £'000
Bank - Tenant deposits	11,174	8,820
	11,174	8,820

In entering into a new lease the tenant may be required to pay a rent deposit. A rent deposit is a sum of money that is received as security for payment of rent and/or other amounts due under the terms of the lease. The lease or rent deposit deed sets out the criteria in which the landlord can draw against this money and the various conditions that must be satisfied for the deposit to be repaid to the tenant. The Group holds these deposits in a tenant account, the cash has restricted use and as such does not meet the definition of cash and cash equivalent.

12 Cash and cash equivalents

	31 March 2022	31 March 2021
	£'000	£'000
Cash and cash equivalents	41,299	41,933
	41,299	41,933

Cash and cash equivalents comprise of cash balances held at call with the bank. The balance also comprises cash which is restricted for the Group's capital expenditure programmes. As the cash can be accessed any time, the balance is treated as cash and cash equivalent.

13 Trade and other payables

	31 March 2022	31 March 2021
	£'000	£'000
Trade creditors and accruals	12,972	11,229
Deferred income	19,458	17,762
Other payables	5,016	4,559
Other taxation	10,561	8,289
Tenant deposits	4,193	4,637
Accrued loan interest	2,395	2,382
	54,595	48,858

Trade creditors are interest-free and have settlement dates within one year. The directors consider that the carrying value of the trade and other payables is approximate to their fair value.

14 Amount owed to related parties

	31 March 2022	31 March 2021
	£'000	£'000
Amount owed to other related parties	9,231	7,294
	9,231	7,294

The Group is in a joint arrangement with various other companies and Groups and had the following related party transactions.

Transaction with general partner

As per the Limited Group Agreement, the general partner is entitled to £1,000 per annum of the Priority Share, the first £1,000 of the profits the Group earns in the year. The amount payable for the year amounted to £1,000 (2021 - £1,000). The amount outstanding at the year end amounted to £3,425 (2021 - £2,800). This is the only transaction applicable to the company and eliminated on consolidation.

Transactions with other related undertakings
During the year ended 31 March 2022, The Arch Company Services Limited charged the partnership services fees of £31,095,000 (2021 - £26,265,000).

The Arch Company Services Limited and The Arch Company Properties L.P. are indirectly owned by BX CDR Holdco Limited and TT CDR Assetco Limited.

The amount due to The Arch Company Services Limited at the year end totalled £9,233,000 (2021 - £7,294,000). The amount is interest free, unsecured and payable on demand. There are no material differences between the carrying value and the fair value of debtors as at 31 March 2022.

14 Amount owed to related parties - company

	31 March 2022	31 March 2021
	£	£
The Arch Company Properties L.P.	-	190
CDR Nomineeco 1 Ltd and CDR Nomineeco 2 Ltd	2	2
	2	192

The amounts owed to Group undertakings are interest-free, unsecured and repayable on demand. There are no material differences between the carrying value and the fair value of creditors as at 31 March 2022.

15 Borrowings

Non-current borrowings	Effective rate of interest	31 March 2022 Fair value £'000	31 March 2022 Book value £'000	31 March 2021 Fair value £'000	31 March 2021 Book value £'000
Fixed loan	Fixed 2.457%	700,000	700,000	700,000	700,000
Floating loan	Libor + margin (1.6%)	118,020	118,020	112,500	112,500
		818,020	818,020	812,500	812,500
Refinancing costs - Transactions fees			(3,789)		(4,555)
		818,020	814,231	812,500	807,945

Reconciliation of the movement in borrowings

	31 March 2022 £'000	31 March 2021 £'000
At the beginning of the year	812,500	-
Proceeds from borrowings	5,520	812,500
At the end of the year	818,020	812,500

The loans are secured against the Group's underlying property assets. The secured debt structure is subject to loan to value and debt yield cash trap covenants.

The average interest rate on the loans is 2.23% until maturity (subject to any movements in underlying interest rates on the partnership's floating rate debt), with an average term in excess of 9 years. The fixed rate and the floating interest loans matures on 15 November 2031 and 15 November 2024 respectively.

16 Other non-current liabilities

	31 March 2022 £'000	31 March 2021 £'000
Tenant deposits	6,828	3,866
Long term maintenance contracts	1,928	1,834
	8,756	5,700

Tenant deposits amounts to £11,021,000 (2021 - £8,503,000) of which £4,193,000 (2021 - £4,637,000) are included within current liabilities.

17 Financial risk management

Financial risk factors

The Group is in a joint arrangement of its ultimate owners where the objective is to achieve medium to long-term revenue and capital growth from its interest in leasehold assets throughout the United Kingdom. The directors confirm that on a regular basis a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency and liquidity is carried out.

For the purposes of this note, the directors have taken into account current facts and circumstances and what they consider to be standard market practices and industry accepted levels of risk and exposure, given the nature of the Group's business.

Financial risk factors

Actual outcomes and results may differ significantly in the future, which may result in a number of the risks outlined in this note having a materially adverse impact on the Group's performance. However, the existence of these risks and exposures may also have a positive impact on the future performance of the Group. The directors do not guarantee the ultimate performance of the Group.

The Group's core financing structure is through the senior loan and partner's contribution.

(i) Credit risk
The Group's principal financial assets are cash and cash equivalents and trade and other receivables.

Credit risk is the risk of the Group's net asset value changing due to a counterparty (debtor) defaulting on its obligations made to the Group. The Group has significant concentrations of credit risk within trade receivables which have been considered as below, although there is no significant concentration within any one customer.

17 Financial risk management (continued)

(i) Credit risk (continued)

An analysis of the credit quality of financial assets is as follows:

	31 March 2022	31 March 2021
	£'000	£'000
Trade receivable (gross)	53,259	44,042
Accrued income	3,201	1,582
Other receivables	101	64
Cash and cash equivalent	41,299	41,933
Restricted cash	11,174	8,820
	109,034	96,441

Cash and cash equivalents

One of the principal credit risks of the Group arises from cash and deposits held with banks. The Group generally holds its cash with its bank account provider, which currently has a short term rating of F1 (Fitch), P-1 (Moodys) or A-1 (S&P). The Group's treasury function performs regular reviews of the credit ratings of its financial institution counterparties to ensure they are of satisfactory financial strength.

Trade receivables

Trade receivables are presented in the balance sheet net of allowances for doubtful debts. The Group assesses on a forward-looking basis the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses the Group takes into account past payment behaviours and future expectations of likely default events i.e. not making payment on the due date based on individual customer internal credit ratings, actual or expected insolvency filings or company voluntary arrangements, likely deferrals of payments due and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis.

The long-term nature and diversity of the Group's tenancy arrangements mean the credit risk of trade receivables is usually considered to be low. The collection rate has yet to reach the pre-pandemic levels of 98% but saw significant improvement in the post-year-end period. In spite of the continuing improvements, to limit the Group's exposure to credit risk on trade receivables, a covenant review where relevant, is continued to performed on prospective tenants prior to the inception of a new lease.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The directors monitor this risk and the liquidity position of the Group on a monthly basis through regular meetings to discuss and consider the potential timing of the maturity of its assets and liabilities and projected operating cash flows. There are currently no additional external capital requirements.

A summary table with maturity of financial assets and liabilities presented below is used to manage liquidity risk. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet as the impact of discounting is not significant.

The maturity analysis of financial assets is as follows:

Financial assets - £'000

At 31 March 2022	Due within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade receivable (gross)	53,259	-	-	-	53,259
Accrued income	372	-	-	-	372
Other receivables	101	-	-	-	101
	53,732	-	-	-	53,732

At 31 March 2021	Due within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade receivable (gross)	44,042	-	-	-	44,042
Accrued income	375	-	-	-	375
Other receivables	64	-	-	-	64
	44,481	-	-	-	44,481

17 Financial risk management (continued)
(ii) Liquidity risk (continued)

Financial liabilities - £'000

At 31 March 2022	Due within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade creditors	12,972	-	-	-	12,972
Other payables	5,016	-	-	-	5,016
Amount due to related parties	9,231	-	-	-	9,231
Accrued loan interest	2,395	-	-	-	2,395
Borrowings	-	-	118,020	700,000	818,020
Tenant deposits	4,193	-	-	6,828	11,021
Long term maintenance fund	-	-	-	1,928	1,928
	33,807	-	118,020	708,756	860,583

At 31 March 2021	Due within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade creditors	11,229	-	-	-	11,229
Other payables	4,559	-	-	-	4,559
Amount due to related parties	7,294	-	-	-	7,294
Accrued loan interest	2,382	-	-	-	2,382
Borrowings	-	-	112,500	700,000	812,500
Tenant deposits	4,637	-	-	3,866	8,503
Long term maintenance fund	-	-	-	1,834	1,834
	30,101	-	112,500	705,700	848,301

(iii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to its long-term secured debt. The group has structured its debt arrangements such that in excess of 85.57% of its borrowings are at a fixed rate of interest with a long term duration, with its remaining borrowings subject to floating interest rates.

At 31 March 2022, the Group's net debt was 85.57% fixed (2021 - 86.15%) and 14.42% (2021 - 13.85%) variable and based on the Group's debt balances at 31 March 2022, a 1% increase/(decrease) in interest rates would increase/(decrease) the annual net finance expense in the income statement and reduce/(increase) equity by £1.2m (2021: £11,000). The sensitivity has been calculated by applying the interest rate change to the SONIA (2021- LIBOR) rate borrowings.

18 Provisions

	Signage Removal £'000	Environmental Site clearance £'000	Total £'000
At 1 April 2021	850	173	1,023
Charged to statement of comprehensive income	-	146	146
At 31 March 2022	850	319	1,169

	Signage Removal £'000	Environmental Site clearance £'000	Total £'000
At 1 April 2020	-	-	-
Charged to statement of comprehensive income	850	173	1,023
At 31 March 2021	850	173	1,023

On 14 August 2018, a number of entities were formed in order to facilitate the purchase of Network's Rails commercial estate, a transaction that completed on 4 February 2019. The obligations of the Tenant (Arch Company) and the Landlord (Network Rail) are set out in the Portfolio Lease which was signed on both parties on 4 February 2019. In addition to the lease agreement the parties also signed a business sales agreement. Included within the agreement is the requirement on the buyer to procure the removal of any signage, logos or trade names referring to the seller 12 months from the completion date. The term was extended informally over 24 months due to the restrictions imposed by COVID-19 "lockdown".The cost for the project is expected to be £850,000 and expected to be completed in the year ending 31 March 2023.

The lease agreement also sets out that the buyer obligation on contamination. The buyer is required to at it's own cost promptly and diligently comply with any Environmental Notice relating to contamination. A site within the portfolio was a victim of fly tipping and further investigations revealed a low level contamination. The cost estimate to clear the contamination is expected to be £319,000 (2021 - £173,000).

19 Share Capital

	31 March 2022	31 March 2021
	£	£
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

The company issued 2 ordinary shares of £1 at par on 14 August 2018.

20 Post balance sheet events

The Board approved a distribution to the limited partner of the Partnership of £40,500,000 in August 2022 in relation to period between February 2019 to December 2021.

21 Controlling party

The Company is owned by TT CDR Assetco Limited and BX CDR Holdco Limited. There is no controlling party.

THE ARCH COMPANY PROPERTIES L.P.

REGISTERED NUMBER: LP019713

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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Strategic Report

This strategic report has been prepared for The Arch Company Properties L.P. ('partnership', 'we, 'our').

Over the past year, we have continued to support our predominantly small and medium sized business customers as they recover from the Covid-19 pandemic. As a result of the financial support we provided to our customers – 1,600 of the most vulnerable received at least three months' rent free – occupancy across the estate has remained stable. The success of our customers has enabled our business to be successful. Total operating profit before valuation for the year was 5.69% compared to 4.54% in the previous year driven by a combination of investments, new lettings in previously vacant arches and bringing rents up to market levels. The partnership continues to deliver strong financial results. There is also a commitment to carry on investing in the estate, our people and our systems. The Board agreed to accelerate the internalisation programme by appointing a new senior leadership team including the appointment of a new Chief Executive Officer, Craig McWilliam, in January 2022. Craig came with a wealth of experience in real estate and a proven track record to create and deliver value for all stakeholders.

Principal activities and performance review

The principal activity of the partnership is renting commercial properties to small and medium-sized businesses. The portfolio contains in excess of 5,000 units spread throughout England and Wales. The majority of the units are located in urban centres such as London, Manchester, Birmingham, Leeds, Bristol and Newcastle.

The partnership adopted a supportive approach to customers during Covid-19, providing rent free periods to those businesses that were most vulnerable due to imposed government restrictions. As a result, occupancy of the estate remained stable. Together with the deployment of capital investment, the partnership's turnover has increased to £108,633,000 (2021 – £91,150,000).

Operating profit before valuation amounted to £44,937,000 (2021 - £35,824,000). Total comprehensive income before valuation yielded 3.08% (2021 - 1.92%) return on the partners capital contributions of £789,379,000 (2021 - £789,379,000).

Estate and Capital investments

One of the partnership's core strategies is to invest in the estate to create space that enables our customers to thrive. Our ambition was set out in our 'Project 1000' plan, announced in October 2021, which commits us to invest £200m in the portfolio by 2030, and to bring 1,000 units, previously vacant or derelict, back into occupation. This investment will encourage hundreds of small and medium sized businesses to move onto our estate by rejuvenating previously empty and derelict arches, thereby bringing jobs and positive economic and social impact to local communities.

Our capital investment approach is demand-focused, understanding what our customers and our prospective customers' needs are, and tailoring our products to meet those needs.

The impact of Covid-19 paused the bulk of our capital investment activity but the partnership has progressively resumed such activity over the last 12 months with an accelerated programme now developed.

During the year we completed schemes on sites at Bedford Ampthill Road £0.2m (To date - £2.3m including site acquisition), Brixton Triangle £0.4m (To date - £4.3m) and Herne Hill, Railton Road £0.2m (To date - £0.7m). New schemes started during the year were initially focused on light industrial and distribution development in major urban centres, particularly London, where demand conditions remained resilient. As Covid-19 restrictions were relaxed, a broader spectrum of minor projects were remobilised across the country along with starting design work on larger schemes and taking our first major projects onto sites at Findlater's Corner at the south side of London Bridge £0.7m and Culvert Place in Battersea £0.4m.

The partnership invested £3.9m in projects during the year ended 31 March 2022. By the end of the year, we had 90 committed projects with a value of £50m and a short-term development pipeline of £90m. We have a committed capex loan facility with Royal Bank of Canada under which we can borrow up to 50% of capex and related spend. The company expects to borrow further amounts under the facility as capex spend is incurred.

Our development principles continue to be centered on the provision of good-value spaces specified to meet market demands. Standard designs, processes and framework agreements have enabled us to increase project delivery rapidly over the last year and have protected us from much of the volatility experienced by the wider construction sector. We remain committed to maintaining long-term relationships with key suppliers and have expanded our supply chain capacity through the first three months of 2022 to support the increasing workload.

The partnership's portfolio has a low operational carbon profile with a high proportion of unheated light industrial properties and customers that serve local communities and thereby reduce travel-related emissions. Capital investment projects entail relatively low levels of embodied carbon, and we maintain a low carbon approach through the retention and re-use of existing structures and elements where possible. Construction waste is sorted to reduce landfill, and we are increasing our focus on the specification of components with recycled material content. We continue to promote the move to low-emission vehicles amongst our supply chain in the same way we have done with our own fleet, and encouraging similar initiatives are being adopted by our measured term contractors.

Operational

Occupancy of the estate remained stable during this period, thanks in part to the financial support provided by the partnership to help the most vulnerable small and medium-sized independent, viable businesses survive the Covid-19 pandemic. The churn rate – the number of tenants leaving the estate – remained stable at 8%, down from 11% under the pre-2019 ownership.

Despite a challenging environment, our leasing activity has remained strong with 635k square feet of new lettings with a passing rent of £9.9m. The partnership's overall occupancy of lettable units increased to 75.8% compared to 73.1% in the year ended 31 March 2021.

Strategic Report (continued)
Operational (continued)

In addition to the significant concessionary support already provided to our tenants, the partnership has continued providing assistance in forms of payment plans, deferral and deposit utilisations.

Our accounts receivable balance increased to £53,259,000 (2021 - £44,042,000), with bad debt provision increasing to £18,356,000 (2021 - £10,426,000). The collection rate at the year-end was below the pre-pandemic rate of 98%, which resulted in the provision increasing to 34.46% (2021 - 23.67%) of gross debt. Since the lifting of the Moratorium on rent arrears, recovery all debt recovery remedies have now become available with historic arrears being addressed with tenants.

Our People

The partnership's people resources are provided through The Arch Company Services Limited, a company under common control. Details are in note 12 to the accounts.

The health and wellbeing of our employees is of paramount importance. The partnership undertakes both informal and formal surveys to regularly assess how staff are feeling. In 2021 employees were surveyed about a return to the office and how that might look and work. In the main, there has been positive engagement, with the majority of employees now working on a hybrid basis. We continue to recognise the benefits that hybrid working brings and to support our people with more flexible arrangements.

We added an 'Inclusive Leadership' module to our management training course for all managers across the organisation. This helps them to begin to think about diversity and inclusion, and how it affects them, their team, and their performance collectively.

The rate of turnover of staff over the last 12 months has been approximately 13%. In a competitive labour market, with changes in market salary rates and the increase in inflation and living costs, recruitment in some parts of the business is proving to be a challenge.

Our people plan includes a recruitment strategy that focuses on diversity and inclusion and the retention of our talent.

Given the importance of our relationship with Network Rail (NR), there has been considerable focus on the interaction between the partnership and NR. A bi-weekly safety forum, run and chaired by the partnership, has become a highly effective method in which joint shared safety concerns can be discussed and resolved.

Customers

The partnership is committed to providing a good level of customer service. We maintain a regular dialogue with representatives of Federation of Small Businesses and Guardians of the Arches. We have devised a number of changes to our customer service which are to be implemented next year, including the establishment of quarterly customer surveys, our first Arch Talks virtual town hall meeting with customers and a new Customer Advisory Forum made up of a small representative partnership of customers. We hope to use the feedback from the customer surveys and the online meetings to improve our offer to customers.

During the next financial year we will implement surveys about specific parts of the customer journey, such as taking a lease, to establish how we can improve each of these processes. Our aim is to make the arches better places for people to work, build and run businesses.

In July 2021, dozens of our customers took part in Arch Day, which was to celebrate the businesses under the arches. Nearly 20 customers benefitted from match funded grants of up to £2,500, funded by the partnership and administered by community action charity Groundwork, to support their events.

We also publish and distribute to customers a bi-annual magazine called Arch Life, which celebrates the diverse businesses located in the arches.

Future Development

As referred to within the Estate and Capital investment section above, the partnership is committed to bring over 1,000 empty and derelict units back into use by 2030 under our development plan, Project 1000.

Although the labour market is competitive, we believe there are unique and rewarding career opportunities within the partnership. The partnership strongly values diversity and aims to be an inclusive employer.

By 31 March 2023, the technology team will be at full strength and delivering transformational projects. The roadmap starts with foundational activity across systems, data and governance. New platforms for development and automation have been introduced and are already delivering quick wins. Next steps involve improving agility and capacity for change through effective project management and standing up internal systems development capability. The near term will see the delivery of the first phases of Keystone: a new line-of-business system that will improve our ability to manage customer-centric work and data flows.

We will be relocating our main London office by 31 March 2023 and will be assessing ways of working to ensure we support and help our staff to work effectively and collaboratively.

The Partnership became a standalone, autonomous operational business as of 30 September 2022, except where other arrangements have been agreed upon. This involved the TUPE transfer of staff from Telereal Trillium, a related company, recruitment of new roles and development and implementation of new IT systems.

Strategic Report (continued)

Future Development (continued)
In September 2022 the partnership launched an Employee Hardship fund designed to provide short-term, supplemental emergency support to employees who are facing serious financial hardship and who cannot afford housing, utilities, and other basic living expenses as a result of certain unforeseen and unpreventable circumstances in relation to the rising cost of living.

Going concern

As at 31 March 2022 the partnership has net current assets of £23,584,000 (2021 - £29,284,000) and net assets of £1,653,051,000 (2021 - £975,639,000).

Although the impact of further Covid-19 incidences remains a risk, the UK economy rebounded in the early part of the financial year. However, we have recently seen signs of a slowdown given the current economic and geopolitical backdrop. Despite the macroeconomic headwinds, including rising food and fuel prices, the war in Ukraine and higher interest rates the partnership continues to demonstrate business resilience aided by a strong balance sheet and an experienced Board and senior management team. Our risk planning has been thoroughly tested with the business responding well to these challenges with continued investment in our estate, our people and our systems. The general partner, therefore, consider that the risk of the pandemic and the current economic uncertainties having a significant long-term impact on the partnership is low. Significantly opportunities remain for the partnership to increase rental income through investments, new lettings, and bringing rents up to market levels. The partnership has experienced lower rent collection but has provided support, by way of rent concessions, deferrals, and utilisation of deposits to eligible tenants to ensure the majority of tenants have remained in occupation throughout the pandemic. The partnership continues to work closely with our customers to help them manage their arrears position. The partnership has provided a significant number of customers with extended payment plans, allowing them time to repay outstanding amounts.

The general partner has reviewed assumptions about the partnership's future performance, valuation, projections, capital projects, asset disposals,and debt requirements (including covenant compliance). This includes performing stress testing on potential risks and uncertainties facing the partnership.

Based on this, the general partner confirms that it has a reasonable expectation that the partnership will have adequate resources to continue its operations and meet its liabilities as they fall due for at least 12 months from the date of signing the financial statements. Hence the general partner continue to adopt the going concern basis of preparation for the partnership's financial statements.

Creditor payment policy

The partnership pays its creditors in accordance with its contractual obligations. The average time the partnership took to pay its trade debts based on trade accounts payable during the year was 58 days (2021: 62 days).

Principal risks and uncertainties

The partnership is in a joint arrangement where the objective is to achieve medium to long-term revenue and capital growth from its interest in leasehold assets throughout the United Kingdom. The general partner confirms that on a regular basis a robust assessment of the principal risks facing the partnership including those that would threaten its business model, future performance, solvency and liquidity is carried out.

The general partner is conscious of the prevailing conditions in the UK economy, and the risks and uncertainties faced by property companies in general. In summary, the general partner considers the partnership to be well organised and the impact of these risks to be low. This may provide competitive advantage to the partnership during the current financial year, as considered in more detail below.

Credit risk

The partnership's principal financial assets are cash and cash equivalents and trade and other receivables.

Credit risk is the risk of the partnership's net asset value changing due to a counterparty (debtor) defaulting on its obligations made to the group. The partnership has significant concentrations of credit risk within trade receivables which have been considered as below, although there is no significant concentration within any one customer.

Trade receivables
Trade receivables are presented in the balance sheet net of allowances for doubtful debts. The partnership assesses on a forward-looking basis the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses the partnership takes into account past payment behaviours and future expectations of likely default events i.e. not making payment on the due date based on individual customer internal credit ratings, actual or expected insolvency filings or company voluntary arrangements, likely deferrals of payments due to those tenants who were offered Covid-19 support and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer-by-customer basis.

Cash and cash equivalent
One of the principal credit risks of the partnership arises from cash and deposits held with banks. The partnership generally holds its cash with its bank account provider, which currently has a short-term rating of F1 (Fitch), P-1 (Moodys) or A-1 (S&P). The partnership's group treasury function performs regular reviews of the credit ratings of its financial institution counterparties to ensure they are of satisfactory financial strength.

Liquidity Risk

The general partner monitors this risk and the liquidity position of the group on a monthly basis through regular meetings to discuss and consider the potential timing of the maturity of its assets and liabilities and projected operating cash flows. There are currently no additional external capital requirements.

Strategic Report (continued)
Principal risks and uncertainties (continued)

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The partnership's exposure to the risk of changes in market interest rates relates primarily to its long-term secured debt. The partnership has structured its debt arrangements such that in excess of 85.57% of its borrowings are at a fixed rate of interest with a long-term duration. The effective rate of interest for the Group is approximate to its long term fixed rate interest.

Key performance indicators

The key performance indicators of the partnership are set out below:

• To ensure good levels of customer satisfaction.

• To create sustainable returns for shareholders through:
  - growing the rent roll by letting out previously vacant arches.
  - investing capital to refurbish poor-quality arches in our ownership.
  - delivering efficiencies and using our scale more effectively; and
  - improving working capital management and cash generation;

• To promote responsibility to achieve the highest practicable standards of health and safety and minimise the impact of our activities on the environment.

• To attract, develop, retain and motivate high performance teams and individuals.

The partnership has achieved sustainable returns to shareholders by providing a return on their investment through its profitable and cash generative activities while continuing to maintain a healthy working capital position.

This report was approved by the board on 13 December 2022 and signed on behalf.

Russell Gurnhill
Director

Adam Dakin
Director

Signed for and on behalf of the Group as directors of The Arch Company Properties Limited.

THE ARCH COMPANY PROPERTIES L.P.
FOR THE YEAR ENDED 31 MARCH 2022

GENERAL PARTNER'S REPORT

The general partner presents its Annual Report and financial statements for the year ended 31 March 2022. The prior period was a 12 month period ended 31 March 2021.

Matters covered in the strategic report

Details of principal activities, business review, future developments and financial risk management can be found on pages 3 to 6 in the Strategic Report. They form part of this report by cross-reference.

Distributions

During the year ended 31 March 2022, the partnership paid distributions totalling £32,923,000 (2021: £4,580,000).

Qualifying third party indemnity provisions

The general partners ultimate parent company have put in place qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006), for the benefit of its respecitve directors of the general partner which were in place throughout the year and remain in place at the date of approval of this report.

Statement of general partner's responsibilities in respect of the financial statements

The general partner is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations"), requires the general partner to prepare financial statements for each financial year. Under that law the general partner has prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, as applied to qualifying partnerships, general partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In preparing the financial statements, the general partner is required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable UK-adopted international accounting standards 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 partnership will continue in business.

The general partner is also responsible for safeguarding the assets of the qualifying partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

General Partner's confirmations

In the case of the general partner in office at the date the general partner's report is approved:

- so far as the member is aware, there is no relevant audit information of which the partnership's auditors are unaware; and

- it has taken all the steps that it ought to have taken as a member in order to make itself aware of any relevant audit information and to establish that the partnership's auditors are aware of that information.

This report was approved by the board on 13 December 2022 and signed on its behalf.

Aaron Burns
Authorised signatory
on behalf of the Company Secretary, Telereal Services Limited.

Independent auditors' report to the partners of The Arch Company Properties L.P.

Report on the audit of the financial statements

Opinion

In our opinion, The Arch Company Properties L.P.'s financial statements:

- give a true and fair view of the state of the partnership's affairs as at 31 March 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2022; the statement comprehensive income, the statement of changes in net assets attributable to the partners and the statement of cash flows 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 partnership 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 partnership'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 general partner's 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 partnership's ability to continue as a going concern.

Our responsibilities and the responsibilities of the general partner 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 general partner is 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 or, 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 Strategic report and General Partner's Report, we also considered whether the disclosures required by the UK Companies Act 2006 as applied to qualifying partnerships have been included.

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

Strategic report and General Partner's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and General Partner's Report for the year ended 31 March 2022 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 partnership and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and General Partner's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the general partner for the financial statements

As explained more fully in the *Statement of general partner's responsibilities in respect of the financial statements*, the general partner is 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 general partner is 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 general partner is responsible for assessing the partnership'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 general partner either intends to liquidate the partnership or to cease operations, or has 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 partnership and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation and the Landlord and Tenant Act 1985, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. 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 of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud
- Reviewing minutes of meetings of those charged with governance
- Performing procedures over any unusual journal entries
- Designing audit procedures to incorporate unpredictability into our testing
- Challenging assumptions made by management in determining their judgements and accounting estimates
- Review of financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations
- Engaging valuations experts to review the investments property valuation

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 partners of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 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 as applied to qualifying partnerships 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 partnership, or returns adequate for our audit have not been received from branches not visited by us; or

- certain disclosures of general partner's 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.

Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 December 2022

THE ARCH COMPANY PROPERTIES L.P.
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Revenue	3	108,633	91,150
Operating costs	4	(63,696)	(55,326)
		44,937	35,824
Net surplus on revaluation of investment properties	7	686,056	119,721
Operating profit		730,993	155,545
Finance income	6	51	74
Finance expense	6	(20,709)	(20,720)
Profit and total comprehensive income for the year		710,335	134,899
Attributable to:			
General partner		1	1
Limited partner		710,334	134,898
		710,335	134,899

All amounts relates to continuing operations.

The notes on pages 16 to 26 are an integral part of these financial statements.

THE ARCH COMPANY PROPERTIES L.P.
BALANCE SHEET
AS AT 31 MARCH 2022

	Note	31 March 2022	31 March 2021
		£'000	£'000
Assets			
Non-current assets			
Investment properties	7	2,450,000	1,760,000
Trade and other receivables	8	2,454	-
Total non-current assets		2,452,454	1,760,000
Current assets			
Trade and other receivables	8	36,111	35,710
Restricted cash	9	11,174	8,820
Cash and cash equivalents	10	41,299	41,933
Total current assets		88,584	86,463
Total assets		2,541,038	1,846,463
Current liabilities			
Trade and other payables	11	(54,597)	(48,859)
Amount owed to related parties	12	(9,234)	(7,297)
Provisions	16	(1,169)	(1,023)
Total current liabilities		(65,000)	(57,179)
Non-current liabilities			
Borrowings	13	(814,231)	(807,945)
Other non-current liabilities	14	(8,756)	(5,700)
Total non-current liabilities		(822,987)	(813,645)
Total liabilities		(887,987)	(870,824)
Net assets		1,653,051	975,639
Equity attributable to owners			
Partners' capital accounts		1,653,051	975,639
Total equity		1,653,051	975,639

The financial statements were approved for issue by the general partner on 13 December 2022 and signed on its behalf by

Russell Gurnhill
Director

Adam Dakin
Director

Signed for and on behalf of the partnership as directors of the general partner, The Arch Company Properties Limited.

The notes on pages 16 to 26 are an integral part of these financial statements.

THE ARCH COMPANY PROPERTIES L.P.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE PARTNERS FOR THE YEAR ENDED 31 MARCH 2022

	General Partner's Capital account £'000	Limited Partner's Capital account £'000	Total Partners' funds £'000
At 01 April 2020	-	845,321	845,321
Transaction with partners			
Distributions	(1)	(4,580)	(4,581)
	(1)	(4,580)	(4,581)
Total comprehensive income for the year	1	134,898	134,899
At 31 March 2021 and 1 April 2021	**-**	**975,639**	**975,639**
Transaction with partners			
Distributions	(1)	(32,922)	(32,923)
	(1)	(32,922)	(32,923)
Total comprehensive income for the year	1	710,334	710,335
At 31 March 2022	**-**	**1,653,051**	**1,653,051**

The notes on pages 16 to 26 are an integral part of these financial statements.

THE ARCH COMPANY PROPERTIES L.P.
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Cash flows from operating activities		
Operating profit	730,993	155,545
Net surplus on revaluation of investment properties	(686,056)	(119,721)
Increase in provisions	146	1,023
(Increase)/Decrease in restricted cash (tenant deposits)	(2,354)	5,443
Increase/(Decrease) in other creditors (tenant deposits)	2,518	(5,610)
Increase in receivables	(2,855)	(9,530)
Increase in related party balance	1,937	2,678
Increase in trade and other payables	6,182	10,630
Increase in other creditors	94	366
Net cash generated from operating activities	50,605	40,824
Cash flows from investing activities		
Acquisition of investment properties and capital expenditure	(3,944)	(2,279)
Net cash used in investing activities	(3,944)	(2,279)
Cash flow from financing activities		
Proceeds from loans and borrowings	5,520	-
Interest received	51	74
Interest paid	(19,943)	(19,991)
Distribution to partners	(32,923)	(4,581)
Net cash used in financing activities	(47,295)	(24,498)
Net change in cash and cash equivalents	(634)	14,047
Cash and cash equivalents at the beginning of the year	41,933	27,886
Cash and cash equivalents at the end of the year	41,299	41,933
Cash and cash equivalents at the end of year comprise:		
Cash and cash equivalents	41,299	41,933

The notes on pages 16 to 26 are an integral part of these financial statements.

1 Accounting policies

General Information

The Arch Company Properties L.P. is a limited partnership, established in England and Wales by the Limited Partnership Agreement (the LPA) dated 14 August 2018, as amended and restated by a deed of adherence dated 16 August 2018. The partnership's registered address and principal place of business is 140 London Wall, London, EC2Y 5DN. The partnership's income is derived from its portfolio of investment properties.

The general partner of the partnership is The Arch Company Properties Limited. The general partner is responsible for the management, operation and administration of the affairs of the partnership.

The general partner presents its Annual Report and financial statements for the year ended 31 March 2022. The prior period was a 12 month period ended 31 March 2021.

Basis of preparation

The financial statements of The Arch Company Properties L.P. have been prepared in accordance with the UK - adopted International Accounting Standards in conformity with the requirements of Companies Act 2006 as applied to qualifying partnerships by the regulations, requires the use of certain critical accounting estimates.

The financial statements have been prepared in Sterling (rounded to the nearest thousand pound), which is the functional and presentational currency of the partnership.

The preparation of financial statements in compliance with the UK - adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires partners to exercise judgement in applying the partnership's accounting policies.

Going concern

As at 31 March 2022 the partnership has net current assets of £23,584,000 (2021 - £29,284,000) and net assets of £1,653,051,000 (2021 - £975,639,000).

Although the impact of further Covid incidences remains a risk the UK economy has rebounded strongly with high consumer confidence however, we have recently seen signs of a slowdown given the current economic and geopolitical backdrop. Despite the macroeconomic headwinds, including rising food and fuel prices, the war in Ukraine and higher interest rates the partnership continues to demonstrate business resilience aided by a strong balance sheet and an experienced Board and senior management team. Our risk planning has been thoroughly tested with the business responding well to these challenges with continued investment in our estate, our people and our systems. The general partner, therefore, considers that the risk of the pandemic and the current economic uncertainties having a significant long-term impact on the partnership is low. Significantly opportunities remain for the partnership to increase rental income through investments, new lettings, and expected rental increases. The partnership has experienced lower rent collection but has provided support, by way of rent concessions, deferrals, and utilisation of deposits to eligible tenants to ensure the majority of tenants have remained in occupation throughout the pandemic. The partnership continues to work closely with our customers to help them manage their arrears position. The partnership has provided a significant number of customers with extended payment plans, allowing them time to repay outstanding amounts.

The general partner confirms that they have a reasonable expectation that the partnership has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This confirmation is made after having reviewed assumptions about the future performance, valuation projections, capital projects, asset disposals and debt requirements. The general partner also considered potential risks and uncertainties in the business, interest risk and liquidity risks, including the availability and repayment profile of bank loans, as well as covenant compliance.

Further stress testing has been carried out to ensure the partnership has sufficient resources to continue in operation for the next 12 months. The partnership is expected to have sufficient cash reserves to meet its liabilities as they fall due. The general partner continue to monitor the situation closely.

Based on the work performed, the general partner confirms that they are satisfied that the partnership will have adequate cash resources to meet its liabilities as they fall due for at least 12 months from the date of signing the financial statements and hence it continues to adopt the going concern basis in preparing the financial statements.

Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the period, the impact of which is outlined below.

A number of new amendments to the standards listed below came effective from 1 April 2021. These new amendments do not have any impact on the partnership's income statement or balance sheet.

Amendment to IFRS 16, 'Leases' - Covid-19 related rent concessions.
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

No endorsed but not yet effective amendments to UK-adopted international accounting standards have been early adopted by the partnership. No amendments are expected to have a material impact on the partnership.

Lease terms

The Arch Company Properties L.P. determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

1 Accounting policies (continued)

Revenue

Rental income, including fixed rental uplifts, is recognised in the Statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit out or similar costs, are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned. Where a single payment is received from a tenant to cover both rent and service charge, the service charge component is separated and reported as service charge income.

Surrender premium, for early determination of a lease, is recognised as revenue immediately upon receipt, net of dilapidation and non-recoverable outgoings relating to the lease concerned.

Rent free incentives, as a results of our Covid-19 support, have been recognised at the earlier of the notice date or lease end period.

For tenants of investment properties, the services i.e. cyclical maintenance, security, reactive maintenance, utilities etc that are provided may form part of the lease agreements into which the partnership enters as a lessor. Through the overall property management strategy, the partnership has determined that they will deliver these services to meet its obligations. The individual activities that comprise these performance obligations may vary in nature however, the overall promise to provide management service is the same from day to day. Therefore, the partnership has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consume the benefits provided by the partnership. The only exception are reactive works, as by their very nature they are adhoc, not planned and do not happen on a regular basis. However, when a specific reactive work event occurs, and if recoverable, this is charged to the tenant alongside the other services included within the partnership performance obligation.

Operating Costs

Operating costs are recognised in the Statement of Comprehensive Income on an accruals basis. Operating costs consist of operational, legal expenses and management charges.

Investment properties

Investment properties are properties, either owned or leased by the partnership, that are held either to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost including related transaction costs, and subsequently at fair value. Investment properties are carried in the financial statements at fair values based on the latest professional valuation on an open market basis as of each reporting date. The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the Statement of comprehensive income as a valuation surplus or deficit. Investment properties are presented on the balance sheet within non-current assets.

Capital expenditure on properties consists of costs of a capital nature, including costs associated with developments and refurbishments. Where a property is being developed or undergoing refurbishment the direct expenditure on the property is capitalised. The interest is not capitalised.

Capital expenditure

Costs associated with capital work or refurbishments are capitalised.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. The partnership calculates the expected credit loss on a monthly basis based on the lifetime expected credit losses under the IFRS 9 simplified method.

In determining the expected credit losses the partnership takes into account any past payment behaviours and future expectations of likely default events i.e. not making payment on the due date based on individual customer internal ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which our tenants operate.

In order to work out the default rate the partnership has grouped its tenants into different recoverability categories. The partnership has used the historical data from February 2019 to March 2022 (2021 - February 2019 to March 2021) to analyse the collection by time buckets in order to work out the default rate. This was then applied to the year end debtor balance to arrive at the expected credit loss.

Trade and other receivables are written off once all avenues to recover the balances are exhausted.

Monies held in restricted accounts

Monies held in restricted cash account represent tenant deposits held by the partnership in accounts with conditions that restrict the use of these monies by the partnership and, as such, does not meet the definition of cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits held at call with banks.

1 Accounting policies (continued)

Borrowings

Borrowings, other than bank overdrafts, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost. Finance charges including arrangement fees and direct finance costs are spread over the period to maturity of the respective loans. Exceptional finance charges incurred due to early redemption and indirect finance costs are recognised in the Statement of comprehensive income as and when incurred.

When debt refinancing exercises are carried out, existing liabilities will be treated as being extinguished when the new liability is substantially different from the existing liability. In making this assessment, the partnership will consider the transaction as a whole, taking into account both qualitative and quantitative characteristics.

Taxation

The partnership is domiciled in the United Kingdom. Under the current laws of the United Kingdom, there is no income, estate, corporation, capital gains or other taxes payable by the partnership. Any other tax liability arising on the activities of the partnership will be borne by its partners.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets including trade and other debtors or amounts owed by related undertakings are recognised at transaction price and as the transactions do not have any financing arrangement the assets are stated at amortised cost.

Financial liabilities

All financial liabilities are recognised initially at fair value and subsequently stated at amortised cost.

Provision for liabilities and charges

A provision is recognised in the balance sheet when there is a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Equity

Equity comprises loans advanced to the partnership by its investment partner CDR Midco L.P.. As the loans are interest free, with no repayment terms and is the key determinant of the proportion of which the funds are allocated to the partners, they are treated as equity in the accounts.

2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with International Accounting Standards in conformity with the requirements of Companies Act 2006, requires management to make judgements, estimates and assumptions in certain circumstances that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Partner contributions and advances - Judgement

The limited partner has treated the advances and capital contributions made by the joint venture partners as equity. The general partner of the limited partnership, The Arch Company Properties Limited, has the contractual right to determine the amount and timing of distributions, and to require additional funding from the limited partners for investment. Management has made a judgement that given that the general partner have these unconditional rights, the partner advances and capital contributions are treated as equity in accordance with IAS 32.

2 Significant accounting judgements, estimates and assumptions (continued)

Valuation of the partnership's properties - Estimate

The valuation of the partnership's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuation the partnership places on its property portfolio are subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market.

The investment property valuation contains a number of assumptions upon which the partnership's valuer has based its valuation of the partnership's properties. The assumptions on which the property valuation report have been based include, but are not limited to, future matters such as the tenure and tenancy details for the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation.

The general risk environment in which the partnership 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 with the lifting of the lockdown, resulting in improvements in the performance of the business driven by a combination of investment, new lettings, and bringing rents to market levels. The unpredictable nature of the Ukraine and Russia conflict, its impact globally, and the uncertain timeline for any resolution mean that there is a risk the value of this asset may be subject to greater volatility than would usually be expected. The general partner does not consider the conflict at the valuation date to have had a material impact on the partnership's financial statements. Additionally, our valuers consider there to be no current evident impact of the conflict on the valuation at 31 March 2022.

This valuation has been undertaken at 31 March 2022 and 31 March 2021 in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuation Standards, and the RICS UK National Supplement. References to the "Red Book" refer to either or both of these documents, as applicable.

Impairment of trade receivables - Estimate

The partnership's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments, in particular, the partnership's assessment of expected insolvency filings or company voluntary arrangements or likely deferrals of payments due. As a result, the value of the provisions for impairment of the partnership's trade receivables are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate. The default rate used in the expected credit loss calculation is based on past data which may not necessarily reflect the true future position.

3 Revenue

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Rental income	103,056	86,426
Turnover rent	534	408
Service charge income	1,578	1,418
Other property related income	3,465	2,898
	108,633	91,150

4 Operating Costs

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Service charge expenses	2,030	1,872
Direct property expenditure	13,313	11,202
Bad debt provision and write off	7,995	7,987
Indirect expenses	40,358	34,265
	63,696	55,326

5 Auditors' remuneration

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Fees payable to the company's auditors and their associates for the audit of the partnership's annual financial statements	120	110
	120	110

The audit fee was paid and borne on the partnership's behalf by The Arch Company Services Limited, an associated company.

6 Net finance expense

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Finance income		
Bank interest received	51	74
Finance expense		
Bank loan interest payable	(19,823)	(19,874)
Refinancing expense and amortisation	(886)	(844)
Other interest	-	(2)
	(20,709)	(20,720)
	(20,658)	(20,646)

7 Investment properties

	31 March 2022 £'000	31 March 2021 £'000
Brought forward value	1,760,000	1,638,000
Acquisitions	-	(1,190)
Capital expenditure	3,944	3,469
Net surplus on revaluation of investment properties	686,056	119,721
Net book value at the end of the year	2,450,000	1,760,000

Valuation process

Investment properties are properties that are held to earn rental income and are not occupied by the partnership or its related parties. They are carried at fair value and the changes in the fair value are reflected in the statement of comprehensive income.

It is recognised that, in certain circumstances, it is more appropriate to value a portfolio of properties as a single entity. VPGA 9 of the RICS Valuation - Global Standards, provides guidance in respect of the identification of portfolios, collections and groups of properties. VPS 1 and VPS 3 also recognise the importance of letting the properties for valuation in the manner most likely to be adopted in the case of an actual sale. This is due to the long term advantages of managing the assets as a single entity and the spread of risk that the portfolio of this scale provides.

Therefore the portfolio has been valued as a single entity, and although individual units or collections of units could be isolated within our cashflow to provide a value apportionment this does not necessarily represent the Fair Value for specific unit(s).

Valuation bases

The external valuers opinion of value was based on the fair value of the leasehold interest in its current physical condition, subject to tenancies and market rent.

The partnership considers all of its investment properties to fall within 'Level 3', as defined by IFRS 13. The inputs to the valuation are defined as unobservable by IFRS 13. The unobservable inputs used in the valuation include market rental value and capitalisation yields. These inputs to the valuation are analysed per the table below. If all other factors remain constant an increase in rental income would increase the valuation, whilst increases in the capitalisation yields would result in a decrease in valuation.

The partnership's total property portfolio was valued by an external valuer on the basis of fair value at 31 March 2022 and 31 March 2021, in accordance with RICS Valuation. The information provided to the valuer, and assumptions and valuation models used by the valuer, are reviewed by the asset management team and the executive committee. The valuer has had direct communication with the external auditors and has presented their findings to them.

Investment properties are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to current and future rental streams net of property costs. The capitalisation yields and future rentals are based on comparable properties and leasing transactions in the market using the valuers' professional judgement and market observation.

7 Investment properties (continued)

The general risk environment in which the partnership 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 with the lifting of the lockdown, resulting in improvements in the performance of the business driven by a combination of investment, new lettings, and bringing rents to market levels. The unpredictable nature of the Ukraine and Russia conflict, its impact globally, and the uncertain timeline for any resolution mean that there is a risk the value of this asset may be subject to greater volatility than would usually be expected. The general partner do not consider the conflict at this stage to have had a material impact on the partnership's financial statements. Additionally, our valuers consider there to be no current evident impact of the conflict on the valuation at 31 March 2022.

The general partner has satisfied itself that the valuation process is sufficiently rigorous and supports the carrying value of the partnership's properties in the financial statements.

The tables below summarises the key unobservable inputs in the valuation of the investment properties as at 31 March 2022:

	Blended Yield	Net rental value £'000	Market Value £'000
London	3.55%	78,858	2,065,157
Outside London	4.33%	17,939	385,399
	3.68%	96,797	2,450,556

Yield sensitivity analysis

	Minus 25 bps	Blended Yield	Plus 25 bps
London	3.30%	3.55%	3.80%
Outside London	4.08%	4.33%	4.58%

Market value based on yield movement

	Minus 25 bps £'000	Blended Yield £'000	Plus 25 bps £'000
London	2,210,379	2,065,157	1,919,821
Outside London	407,558	385,399	363,042
	2,617,937	2,450,556	2,282,863

The tables below summarises the key unobservable inputs in the valuation of the investment properties as at 31 March 2021:

	Blended Yield	Net rental value £'000	Market Value £'000
London	4.41%	73,158	1,533,565
Outside London	6.80%	16,794	228,310
	4.72%	89,952	1,761,875

Yield sensitivity analysis

	Minus 25 bps	Blended Yield	Plus 25 bps
London	4.16%	4.41%	4.66%
Outside London	6.55%	6.80%	7.05%

Market value based on yield movement

	Minus 25 bps £'000	Blended Yield £'000	Plus 25 bps £'000
London	1,625,727	1,533,565	1,451,292
Outside London	237,024	228,310	220,214
	1,862,751	1,761,875	1,671,506

Leasing arrangements

The investment properties are leased to tenants under operating leases with rental payments due monthly, quarterly or half yearly. Lease payments for some leases may include an inflationary uplift. Although, the partnership is exposed to changes in residual value at the end of the current leases, the partnership typically enters into new operating leases and therefore will not realise any reduction in residual value at the end of these leases.

Minimum lease payments receivable on leases of investments properties are as follows:

	31 March 2022 £'000	31 March 2021 £'000
Within 1 year	82,948	73,426
Between 1 and 2 years	60,033	48,673
Between 2 and 3 years	52,969	43,540
Between 3 and 4 years	49,075	38,236
Between 4 and 5 years	42,647	35,299
Later than 5 years	610,132	601,671
	897,804	840,845

8 Trade and other receivables

	31 March 2022	31 March 2021
	£'000	£'000
Net trade receivable	34,903	33,616
Tenant lease incentives	375	1,209
Prepayments	360	446
Accrued income	372	375
Other receivables	101	64
	36,111	35,710

The accounting for lease incentives is set out in the Accounting policies note. The value of the tenant lease incentives, included in current trade and other receivables, is spread over the non-cancellable life of the lease.

None of the partnership's other receivables are due and therefore no ageing has been shown (2021 - same).

Ageing of trade receivables
Gross trade receivable by later of invoice or due date

	Not impaired	Impaired	31 March 2022 Gross trade receivables
	£'000	£'000	£'000
Within 30 days	11,528	1,037	12,565
Between 31 to 60 days	2,191	764	2,955
Between 60 to 180 days	5,304	1,927	7,231
Between 180 to 360 days	6,697	4,294	10,991
Over 360 days	9,183	10,334	19,517
	34,903	18,356	53,259

	Not impaired	Impaired	31 March 2021 Gross trade receivables
	£'000	£'000	£'000
Within 30 days	6,023	221	6,244
Between 31 to 60 days	9,156	1,092	10,248
Between 60 to 180 days	8,000	2,133	10,133
Between 180 to 360 days	7,294	3,334	10,628
Over 360 days	3,143	3,646	6,789
	33,616	10,426	44,042

As at 31 March 2022, the partnership's gross receivables were 65.53% (2021 - 76.33%) unimpaired and 34.47% (2021 - 23.67%) impaired based on the partnership's recoverability categorisation and default rate. Based on the balance as at 31 March 2022, a 5% increase/(decrease) in the default rate would increase/(decrease) the bad debt provision in the statement of comprehensive income and reduce/(increase) equity by £682,200 (2021 : £304,900).

Movements in allowance for doubtful debts

	31 March 2022	31 March 2021
	£'000	£'000
At the beginning of the year	10,426	2,574
Provision for the year	7,930	7,852
At the end of the year	18,356	10,426

(i) Trade and other receivables

Trade and other receivables includes lease incentives which were granted to encourage tenants to remain in properties for longer lease periods. The value of the tenant lease incentives, included in current and non-current trade and other receivables, is spread over the non-cancellable life of the lease. The amount to be recognised within a year amounts to £375,000 and after more than a year amounts to £2,454,000. The accounting for lease incentives is set out in the Accounting policies note.

9 Restricted cash

	31 March 2022	31 March 2021
	£'000	£'000
Bank - Tenant deposits	11,174	8,820
	11,174	8,820

In entering into a new lease the tenant may be required to pay a rent deposit. A rent deposit is a sum of money that is received as security for payment of rent and/or other amounts due under the terms of the lease. The lease or rent deposit deed sets out the criteria in which the landlord can draw against this money and the various conditions that must be satisfied for the deposit to be repaid to the tenant. The partnership holds these deposits in a tenant account, the cash has restricted use and as such does not meet the definition of cash and cash equivalent.

10 Cash and cash equivalents

	31 March 2022	31 March 2021
	£'000	£'000
Cash and cash equivalent	41,299	41,933
	41,299	41,933

Cash and cash equivalents comprise of cash balances held at call with the bank. The balance also comprises cash which is restricted for the partnership's capital expenditure programmes. As the cash can be accessed any time, the balance is treated as cash and cash equivalent.

11 Trade and other payables

	31 March 2022	31 March 2021
	£'000	£'000
Trade creditors and accruals	12,974	11,230
Deferred income	19,458	17,762
Other payables	5,016	4,559
Other taxation	10,561	8,289
Tenant deposits	4,193	4,637
Accrued loan interest	2,395	2,382
	54,597	48,859

Trade creditors are interest-free and have settlement dates within one year. The general partner considers that the carrying value of the trade and other payables is approximate to their fair value.

12 Amount owed to related parties

	31 March 2022	31 March 2021
	£'000	£'000
Amount owed to general partner	3	3
Amount owed to other related parties	9,231	7,294
	9,234	7,297

The partnership is in a joint arrangement with various other companies and partnerships and had the following related party transactions.

Transaction with general partner

As per the Limited Partnership Agreement, the general partner is entitled to £1,000 per annum of the Priority Share, the first £1,000 of the profits the partnership earns in the period. The amount payable for the year amounted to £1,000 (2021 - £1,000). The amount outstanding at the year end amounted to £3,400 (2021 - £2,800).

Transactions with other related undertakings

During the year ended 31 March 2022, The Arch Company Services Limited charged the partnership services fees of £31,095,000 (2021 - £26,265,000).

The Arch Company Services Limited and The Arch Company Properties L.P. are indirectly owned by BX CDR Holdco Limited and TT CDR Assetco Limited.

The amount due to The Arch Company Services Limited at the year end totalled £9,231,000 (2021 - £7,294,000). The amount is interest free, unsecured and payable on demand. There are no material differences between the carrying value and the fair value of debtors as at 31 March 2022.

13 Borrowings

Non-current borrowings	Effective rate of interest	31 March 2022 Fair value £'000	31 March 2022 Book value £'000	31 March 2021 Fair value £'000	31 March 2021 Book value £'000
Fixed loan	Fixed 2.457%	700,000	700,000	700,000	700,000
Floating loan	Libor + margin (1.6%)	118,020	118,020	112,500	112,500
		818,020	818,020	812,500	812,500
Refinancing costs - Transactions fees		-	(3,789)	-	(4,555)
		818,020	814,231	812,500	807,945

Reconciliation of the movement in borrowings

	31 March 2022 £'000	31 March 2021 £'000
At the beginning of the year	812,500	812,500
Proceeds from borrowings	5,520	-
At the end of the year	818,020	812,500

The loans are secured against the partnership's underlying property assets. The secured debt structure is subject to loan to value and debt yield cash trap covenants.

The average interest rate on the loans is 2.23% until maturity (subject to any movements in underlying interest rates on the partnership's floating rate debt), with an average term in excess of 9 years. The fixed rate and the floating interest loans matures on 15 November 2031 and 15 November 2024 respectively.

14 Other non-current liabilities

	31 March 2022 £'000	31 March 2021 £'000
Tenant deposits	6,828	3,866
Long term maintenance contracts	1,928	1,834
	8,756	5,700

Tenant deposits amounts to £11,021,000 (2021- £8,503,000) of which £4,190,000 (2021- £4,637,000) are included within current liabilities.

15 Financial risk management

Financial risk factors

The partnership is in a joint arrangement of its ultimate owners where the objective is to achieve medium to long-term revenue and capital growth from its interest in leasehold assets throughout the United Kingdom. The general partner confirms that on a regular basis a robust assessment of the principal risks facing the partnership including those that would threaten its business model, future performance, solvency and liquidity is carried out.

For the purposes of this note, the general partner has taken into account current facts and circumstances and what they consider to be standard market practices and industry accepted levels of risk and exposure, given the nature of the partnership's business.

Actual outcomes and results may differ significantly in the future, which may result in a number of the risks outlined in this note having a materially adverse impact on the partnership's performance. However, the existence of these risks and exposures may also have a positive impact on the future performance of the partnership. The general partners do not guarantee the ultimate performance of the partnership.

The partnership's core financing structure is through the senior loan and partner's contribution.

(i) Credit risk

The partnership's principal financial assets are cash and cash equivalents and trade and other receivables.

Credit risk is the risk of the partnership's net asset value changing due to a counterparty (debtor) defaulting on its obligations made to the partnership. The partnership has significant concentrations of credit risk within trade receivables which have been considered as below, although there is no significant concentration within any one customer.

15 Financial risk management (continued)
(i) Credit risk (continued)

An analysis of the credit quality of financial assets is as follows:

	31 March 2022	31 March 2021
	£'000	£'000
Trade receivable (gross)	53,259	44,042
Accrued income and tenant incentives	3,201	1,582
Other receivables	101	64
Cash and cash equivalent	41,299	41,933
Restricted cash	11,174	8,820
	109,034	96,441

Cash and cash equivalents
One of the principal credit risks of the partnership arises from cash and deposits held with banks. The partnership generally holds its cash with its bank account provider, which currently has a short term rating of F1 (Fitch), P-1 (Moodys) or A-1 (S&P). The partnership's treasury function performs regular reviews of the credit ratings of its financial institution counterparties to ensure they are of satisfactory financial strength.

Trade receivables and others
Trade receivables are presented in the balance sheet net of allowances for doubtful debts. The partnership assesses on a forward-looking basis the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses the partnership takes into account past payment behaviours and future expectations of likely default events i.e. not making payment on the due date based on individual customer internal credit ratings, actual or expected insolvency filings or company voluntary arrangements, likely deferrals of payments due and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis.

The long-term nature and diversity of the partnership's tenancy arrangements mean the credit risk of trade receivables is usually considered to be low. The collection rate has yet to reach the pre-pandemic levels of 98% but saw significant improvement in the post-year-end period. In spite of the continuing improvements, to limit the partnership's exposure to credit risk on trade receivables, a covenant review where relevant, is continued to performed on prospective tenants prior to the inception of a new lease.

(ii) Liquidity risk
Liquidity risk is the risk that the partnership will not be able to meet its financial obligations as and when they fall due. The partnership's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the partnership's reputation.

The partners monitor this risk and the liquidity position of the partnership on a monthly basis through regular meetings to discuss and consider the potential timing of the maturity of its assets and liabilities and projected operating cash flows. There are currently no additional external capital requirements.

A summary table with maturity of financial assets and liabilities presented below is used to manage liquidity risk. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet as the impact of discounting is not significant.

The maturity analysis of financial assets is as follows:

Financial assets - £'000

At 31 March 2022	Due within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade receivable gross	53,259	-	-	-	53,259
Accrued income	372	-	-	-	372
Other receivables	101	-	-	-	101
	53,732	-	-	-	53,732

At 31 March 2021	Due within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade receivable gross	44,042	-	-	-	44,042
Accrued income	375	-	-	-	375
Other receivables	64	-	-	-	64
	44,481	-	-	-	44,481

15 Financial risk management (continued)
(ii) Liquidity risk (continued)

Financial liabilities - £'000

At 31 March 2022	Due within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade creditors and accruals	12,974	-	-	-	12,974
Other payables	5,016	-	-	-	5,016
Amount due to related parties	9,234	-	-	-	9,234
Accrued loan interest	2,395	-	-	-	2,395
Borrowings	-	-	118,020	700,000	818,020
Tenant deposits	4,193	-	-	6,828	11,021
Long term maintenance fund	-	-	-	1,928	1,928
	33,812	-	118,020	708,756	860,588

At 31 March 2021	Due within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade creditors and accruals	11,230	-	-	-	11,230
Other payables	4,559	-	-	-	4,559
Amount due to related parties	7,297	-	-	-	7,297
Accrued loan interest	2,382	-	-	-	2,382
Borrowings	-	-	112,500	700,000	812,500
Tenant deposits	4,637	-	-	3,866	8,503
Long term maintenance fund	-	-	-	1,834	1,834
	30,105	-	112,500	705,700	848,305

(iii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The partnership's exposure to the risk of changes in market interest rates relates primarily to its long-term secured debt. The partnership has structured its debt arrangements such that in excess of 85.57% of its borrowings are at a fixed rate of interest with a long term duration, with its remaining borrowings subject to floating interest rates.

At 31 March 2022, the partnership's net debt was 85.57% fixed (2021 - 86.15%) and 14.42% (2021 - 13.85%) variable and based on the partnership's debt balances at 31 March 2022, a 1% increase/(decrease) in interest rates would increase/(decrease) the annual net finance expense in the income statement and reduce/(increase) equity by £1.2m (2021: £11,000). The sensitivity has been calculated by applying the interest rate change to the SONIA (2021- LIBOR) rate borrowings.

16 Provisions

	Signage Removal £'000	Environmental Site clearance £'000	Total £'000
At 1 April 2021	850	173	1,023
Charged to statement of comprehensive income	-	146	146
At 31 March 2022	850	319	1,169

	Signage Removal £'000	Environmental Site clearance £'000	Total £'000
At 1 April 2020	-	-	-
Charged to statement of comprehensive income	850	173	1,023
At 31 March 2021	850	173	1,023

On 14 August 2018, a number of entities were formed in order to facilitate the purchase of Network's Rails commercial estate, a transaction that completed on 4 February 2019. The obligations of the Tenant (Arch Company) and the Landlord (Network Rail) are set out in the Portfolio Lease which was signed on both parties on 4 February 2019. In addition to the lease agreement the parties also signed a business sales agreement. Included within the agreement is the requirement on the buyer to procure the removal of any signage, logos or trade names referring to the seller 12 months from the completion date. The term was informally extended due to the restrictions imposed by Covid-19 "lockdown". The cost for the project is expected to be £850,000 and expected to be completed in the year ending 31 March 2023.

The lease agreement also sets out that the buyer obligation on contamination. The buyer is required to at it's own cost promptly and diligently comply with any Environmental Notice relating to contamination. A site within the portfolio was a victim of fly tipping and further investigations revealed a low level contamination. The cost estimate to clear the contamination is expected to be £319,000 (2021 £173,000).

17 Post balance sheet events

The general partner approved a distribution to the limited partner of the Partnership of £40,500,000 in August 2022 in relation to period between February 2019 to December 2021.

18 Controlling party

The limited partner is owned by TT CDR Assetco Limited and BX CDR Holdco Limited. There is no controlling party.