
London & Continental Railways Limited

Group Report and Accounts

31 March 2021

Company registration number 2966054



Contents

Directors & Secretary	1
Chairman's statement	2
LCR at a Glance	4
Chief Executive's statement	7
Our market and strategy	11
Section 172 Statement	13
Financial review	15
Viability Statement	17
Corporate Governance	19
Major risks and uncertainties	25
Directors' report	27
Statement of Directors' responsibilities	32
Independent auditor's report	31
Consolidated statement of comprehensive income	38
Consolidated statement of financial position	39
Consolidated statement of changes in equity	40
Consolidated statement of cashflows	41
Parent company statement of financial position	42
Parent company statement of changes in equity	43
Parent company statement of cashflows	44
Notes to the financial statements	45

LONDON & CONTINENTAL RAILWAYS LIMITED**Directors & Secretary****Directors:**

N F Markham

M Dunn

T C Garnham (Resigned 11 January 2021)

P Hawthorne

A Poulter (Appointed 1 April 2021)

A Reeves (Resigned 31 March 2021)

N Sachdev (Appointed 25 March 2021)

Secretary:

P Hawthorne

Registered Office:

20 Cranbourn Street

London

WC2H 7AA

Chairman's Statement

Dear stakeholders,

A pivotal year

LCR, like many other organisations has faced many challenges arising from the Covid-19 pandemic, but I am extremely proud of the way we have responded. Without exception, our people have kept focus on our strategy and have adapted to different ways of working with a relentless focus on our outcomes. In spite of the challenges, our hard work over the past two years has meant that we have successfully re-focused our strategy and realigned our portfolio. With the benefit of a strong balance sheet, quality assets, a clear strategy and great people, I am confident that we are well placed to face current and future challenges.

Last year I wrote about how LCR was embarking on a new strategy to generate Public Value through the creation of homes, jobs and societal benefits from transport-enabled regeneration. I am pleased to report on the progress of our strategy, which we continue to drive through three key activities:

- preparing and securing preapplications on our transport linked sites;
- securing sales through land promotion agreements for future residential and commercial end uses; and
- actively asset managing our underlying land and property portfolio.

By unlocking potential to realise positive change, we develop neighbourhoods and environments that encourage wellbeing, create jobs, increase productivity to stimulate local economies and leave a long-lasting positive legacy – in short, great places to live, work and play. We are well positioned to deliver on the governments ambition of "Build back better", and in conjunction with the proposed and welcome planning reforms, LCR is uniquely positioned with its partners to assemble land and opportunity, which has the potential to facilitate the delivery of tens of thousands of residential units and create in excess of £7bn of longer-term Public Value.

Principal Highlights

- Our Collaboration with Network Rail continues to strengthen, and we have an agreed portfolio of priority development opportunities following completion of the review of the domestic rail network in England that has the potential to release in excess of 10,000 residential units over the next 4 years.
- We have a strong cash position having successfully recycled assets from our joint venture partnership at IQL Stratford with Lendlease and retained an ongoing interest.
- In conjunction with our partners Manchester City Council, Transport for Greater Manchester and U+I plc, we secured a £23m grant for a new park at our regeneration project at Manchester Mayfield and are continuing to develop an experiential retail centre in the former Eurostar terminal at Waterloo, which will open in Summer 2022 and will complement our regeneration work at Leake Street, where we have developed a number of food and beverage outlets.

Compliance with the UK Corporate Governance Code 2018 (the 'Code')

As a Public Corporation, LCR is not required to comply with the UK Corporate Governance Code ('the Code'). However, LCR has developed robust Governance procedures outlined in the Code and embedded best practices ensuring such principles and provisions are appropriate in a company similar.

Chairman's Statement (continued)

Board Composition

In March and April 2021, I was delighted to welcome Tony Poulter and Neil Sachdev respectively as Non-Executive Directors. Both Tony and Neil bring strong commercial and Governmental pedigrees with demonstrable track records as Executive and Non-Executive Directors across a range of sectors. Tim Garnham and Alex Reeves stepped down from the Board in January 2021 and March 2021 respectively. Tim served as Chair of the Remuneration Committee and Senior Independent Director and has served on the Board for 6 years and Alex for three years. I would like to thank Tim and Alex for their sage counsel and significant contribution to the success of LCR and wish them well for the future. Mike Dunn has assumed the role of Senior Independent Director and Neil Sachdev has assumed the Chair of the Remuneration Committee.

The future

As we look to the future, we will continue to have a relentless focus on our strategy, all aimed at supporting broader Government policy objectives and in doing so, we will create great places for people to live work and play. As a purpose led and values-based organisation, we have responded well to the pandemic, and have worked tirelessly to ensure we are fit for the future with improved governance and ways of working all aligned behind the delivery of our strategy. The diversity of skills on our board, clear committee structures and priorities have been our bedrock, overlaid by flexibility, understanding and agility.

Thank you

In my first statement as Chairman last year, I commented on our people and culture. It is they who create the value we are striving for through their ability to identify the right sites, collaborate effectively with partners, negotiate acquisitions and disposals, develop pre-applications, project manage the development pipeline, deliver on asset management plans and steer us successfully to achieve our agreed outcomes. My greatest thanks are, therefore, to them for what they have achieved this year, which in turn lays the foundation for what LCR will achieve in coming years.

I would also like to express my thanks also to my Executive team for their leadership of the business, to my colleagues on the Board for their wise counsel, to our shareholder for their support and commitment, to our customers, our partners, and to all our other stakeholders who provide input and guidance to our projects.



Nick Markham
Chairman
29 July 2021

LCR at a Glance

We are a UK Government-owned property and regeneration company, focused on creating new homes, jobs and economic growth from transport related assets, at or around rail hubs and stations. We use our skills in land assembly, placemaking and commercial development to unlock regeneration opportunities. Over the last 25 years, we have brought together multiple stakeholders to de-risk complex sites and attract investment across the UK. Examples of what LCR has achieved follow:

Mayfield, Manchester

We are a partner in the £1.4bn redevelopment of the 24-acre Mayfield site adjacent to Piccadilly station, on the edge of Manchester city centre. A vibrant new city centre community for Manchester. LCR, Manchester City Council (MCC) and Transport for Greater Manchester (TfGM) have established a public-private JV with developer U+I to deliver a mixed-use scheme.

During the year at Mayfield the UK Government invested £23 million from its "Getting Building Fund" to build out the 6.5-acre Mayfield Park and other infrastructure and public realm works. As well as providing much needed city centre green space, the park will also enable the delivery of the first phase of commercial development at Mayfield, which includes 320,000 sq ft of world class commercial space across two buildings. The £1.4bn regeneration of Mayfield is transforming a previously derelict part of Manchester's industrial heritage into a distinctive and imaginative mixed-use neighbourhood. Over the next 10 years Mayfield will provide 1,500 homes, 1.6m sq ft of market-leading commercial space and restaurants, bars, cafés, shops, cultural spaces and a hotel. It is envisaged Mayfield will create opportunities for more than 10,000 office, retail, leisure jobs, in addition to over 630 FTE construction jobs, up to 2,500 supply chain roles and 25 apprenticeships annually. Over the next decade the project is forecast to deliver over £7.4bn of GVA to the local economy.

The Axis, Birmingham

LCR is leading on the transformation of The Axis, Birmingham which is an underutilised 4.5-acre site located in the heart of the City. The site is currently dominated by a dated, T-shaped 1970s office block which is at the end of its economic life. LCR is enabling the delivery of a high-quality mixed-use scheme centred around new public realm. Regeneration of the site will vastly improve connectivity with nearby locations in the city centre, and create a vibrant place to dwell, work, eat and shop in the heart of the city. We have worked collaboratively with the City Council to gain planning for office-led development focused on wellness and best practice design and are now considering the strategy to bring forward development of the site.

Waterloo, London

LCR is developing a progressive retail, restaurant and leisure destination and an example of best practice in transport hub development, located in the heart of London's South Bank. Set within the RIBA award-winning former Eurostar terminal at Waterloo, we are creating a great place, encapsulating the shift from station retail as just convenience shops to becoming retail destinations. The new scheme will help to attract new visitors to the Waterloo area and complement local business. It builds on the success of Leake Street Arches and reflects the independent, creative spirit of the area. The new development will feature a blend of established operators, clicks-to-bricks ventures, and independent retailers, complemented by a unique, experiential food and drink offering. With an annual footfall of 100 million, the development consists of 130,000 sq ft of retail and leisure space. It will create 700 new jobs.

LCR at a Glance (continued)

RTC, Derby

The former Rail Technical Centre (RTC) in Derby has been transformed by LCR into a thriving new business park supporting Derby's nationally significant rail, aerospace and automotive engineering business cluster. Acting in partnership with Derby City Council, and supported by the Regional Growth Fund, LCR refurbished and redeveloped over 60,000 sq ft of office accommodation, a total investment of £6.5m. RTC Business Park is now one of the city's major employment sites, offering 400,000 sq ft, of commercial space spread across 28 acres of landscaped grounds. Over 1,500 people now work on the park which contributes over £6m GVA to the local economy. LCR continues to invest in RTC Derby, recently adding a new café and conference suite and re-landscaping the site to improve the attractiveness and sustainability of the park. Forthcoming projects include the provision of a new purpose-built innovation suite for Innovation Derby housing a cluster of small high-tech growth businesses and managed in partnership with the University of Derby. Occupiers include Siemens, Network Rail, Loram, University of Birmingham and Atkins.

International Quarter London

Since 2011 LCR and Lendlease have been developing London's new home for modern business at the £2.4 billion International Quarter London (IQL). The development is delivering circa 4 million sq. ft of Grade A office space and over 600 new homes on 22 acres of land, located primarily between Westfield and the Queen Elizabeth Olympic Park. At the heart of thriving Stratford and forming a gateway to Queen Elizabeth Olympic Park, IQL has outstanding transport connections, shopping, leisure and sports facilities combined with open spaces and parklands. The development is the final phase of the original Stratford City masterplan to create a new metropolitan centre based around Stratford International. Once complete in 2025, over 25,000 people will work at this major new employment hub in East London.

Sheffield

LCR is working in partnership with Network Rail, Sheffield City Council, Homes England and wider partners such as Sheffield City Region to promote the regeneration opportunity adjacent Sheffield Midland Station. This is an initial phase of the Regeneration Framework that was developed in anticipation of strategic rail investments serving the city, such as HS2 and Northern Powerhouse Rail. The public sector partners are working collaboratively and will play a vital role in unlocking comprehensive development proposals for this area of the city. Proposals are at an early stage but will include mixed use development, improvements to the front of the station, enhancing public realm, introducing greater pedestrian accessibility and walking routes into the city centre.

Kings Cross

One of London's most successful regeneration stories, today Kings Cross is an ever-expanding hub of commercial activity and new homes. Yet since the 1970s, the area had been in decline. Whilst delivering High Speed 1 and the associated restoration of St. Pancras Station and St. Pancras Chambers, LCR, acting alongside Exel, appointed Argent as its development partner and worked with them to create a masterplan for the 67-acre site. In 2006 outline planning permission was granted for c.50 new building, 20 new streets, 10 new major public spaces, the restoration and refurbishment of 20 historic buildings and structures and up to 2,000 homes. Early infrastructure works began in June 2007, with development starting in earnest in November 2008. Much of the early investment was focused in and around the Victorian buildings that once formed the Goods Yard. In 2011 the University of the Arts London moved to the Granary Complex and parts of the development opened to the public for the first time. Since then, restaurants have opened, the Great Northern Hotel has been refurbished and residents have moved in. The historic Coal Drops have been redeveloped as a unique

LCR at a Glance (continued)

shopping destination and companies such as Google, Louis Vuitton, Universal Music and Havas are choosing to locate here. A whole series of new public squares and gardens have opened, among them Granary Square with its spectacular fountains, Lewis Cubitt Park and Square and Gasholder Park. It is expected the work will create 50 new buildings, 1,900 new homes, 20 new streets, 10 new public parks and squares, 26 acres of open space with 42,000 people working there by 2022.

Chief Executive's Statement

A pivotal year

The pandemic and consequent physical distancing has directly changed the way people inhabit and interact with physical space, and the knock-on effects of the virus outbreak have reduced the demand for many types of space, perhaps for the first time in modern memory. This has created an unprecedented crisis for the real estate industry. Beyond the immediate challenge, the longer this crisis persists, the more likely we are to see transformative and lasting changes in behaviour.

While it may be tempting to make reductive assumptions about the coronavirus outbreak's economic impact, the corresponding policy responses will not be uniform across real estate portfolios. Even within a single asset, needs will vary among tenants. We will need to consider how we use analytics to generate fact-based insights on local epidemiological and economic scenarios, what is happening to competitive assets around a property, and the impact of the crisis on individual tenants. Such perspectives can inform highly targeted decisions, rather than a one size fits all approach.

As we prepare for the effects of the downturn, when scores of tenants across our current asset classes will ask for lease concessions or abatement, we must remain vigilant and flexible in our response. While a single policy across all tenants and properties may be easier to implement, decisions must be made for each situation, starting with a consideration of tenants' safety and well-being.

We expect to see a shift towards diverse location strategies and the emergence of a hybrid model, a combination of home working, local office hubs and a head office. Therein is an opportunity to improve long-term employee wellbeing, organisational resilience, and sustainability, together with a reduction in the environmental footprint that may arise from less travel, shorter supply chains and sustainable building design, to name a few examples.

Although the future is not without challenge, we are optimistic that we can navigate through trying times and have taken positive steps to adapt to changing market conditions. We remain focused on the delivery of our strategy, as now more than ever it reinforces the importance of what LCR is doing to support Government policy objectives of building back better and levelling up by creating great places for people to live work and play.

Financial and operational performance

LCR's business and our ability to continue to deliver on our purpose to create outstanding spaces for communities is built on the reliability and resilience of our cash flows. This year we have demonstrated the effectiveness of our model through the ability of our business to withstand extreme economic shocks. However, the real test was our ability this year to sustain and support growth for the long-term. On the funding front we succeeded in two major transactions in the year. We restructured the joint venture (JV) partnership at Stratford, realising a cash receipt and an asset. We also secured a cash receipt from an overage payment, which also facilitated the delivery of 326 residential units. In terms of growth, during the course of last year we finalised, in conjunction with Network Rail, a systematic review of the 1,900 stations on the domestic rail Network in England. From that review, we have identified in excess of 300 development opportunities, that we will bring forward.

We continue to use our market knowledge and long-established relationships to source new opportunities across both investment and development, while also continually reviewing our existing portfolio for value enhancement initiatives.

Chief Executive's Statement (continued)

We have continued our journey of transformation with a clear line of sight between opportunity identification and execution, whether it is in our land promotion or asset management activities. Our uniqueness comes from sitting on the cusp of the public and private sector and our success lies in how we attract and retain partners and customers. We seek to work through partnerships, bringing our knowledge and experience to the needs of all our external stakeholders, our tenants, our shareholder, wider government and society.

Rents

LCR has delivered resilient results in unsettled market conditions across its portfolio. Like other property companies we have been working hard to support our customers during the pandemic. We have refreshed our asset management plans during the year and this exercise has identified opportunities and risks and highlighted areas for investment. We have made good progress on our retail development opportunity at Waterloo. We continue to receive strong expressions of interest from retailers, leisure and F&B operators in the international terminal at Waterloo station.

Financial performance

LCR has delivered a strong set of trading results for the past year, although obviously this has been overshadowed by the dramatic impact of the Covid-19 pandemic.

Revenue increased by 15% in the year to £37.1m (2020: £32.2m). Property related sales increased by 85% to £17.2m (2020: £9.3m). Rental income is slightly down 5% to £19.2m (2020: £20.2m). The value of our Investment property portfolio (excluding Right of Use Assets) is £193.6m a decrease of 7% (2020: £208.3m). Our financial position remains resilient with cash of £80.1m (2020: £78.6m), the business remains ungeared.

Covid-19 and our response

The safety of people remains our first priority and we continue to work closely with our colleagues, customers, suppliers and partners to manage the ongoing operational impacts of the pandemic. We know that many of our customers and suppliers are facing severe financial difficulties and we are playing our part to support where we can. In doing so, we have sought to establish a fair and balanced approach that is sustainable through an extended period of disruption. We have focused our resources on supporting those businesses for whom our help can make the greatest difference, for example smaller, independent businesses who we believe are facing particular challenges.

Investment strategy

We have clear criteria for where we invest, which enables us to allocate internal resources effectively, thereby contributing to our investment success. Our research and insight into local markets informs our capital allocation and allied to this our investment appraisal discipline ensures our projects can deliver both shareholder and public value.

Delivering in partnership

LCR's heritage as a property developer has enabled it to forge partnerships with landowners in the public and private sectors and with developers. We have successful partnerships with Lendlease at IQL in Stratford, London and at Mayfield, Manchester with U&I; Manchester City Council (MCC) and Transport for Greater Manchester (TfGM).

Chief Executive's Statement (continued)

Last year LCR and Lendlease reviewed their strategy for the joint venture (JV) partnership at International Quarter London (IQL) and brought forward new plans for the site in Stratford, east London. LCR obtained a cash receipt and control of IQL North, a plot of undeveloped land to the north of Stratford International station. We are diversifying the existing scheme, looking to include more residential units across the 3-acre site in line with our strategy of unlocking housing development around key transport hubs.

Lendlease obtained control of IQL South, a 15.6-acre site close to the London Stadium, where development at IQL has been concentrated to date. The remaining 3.1m sq ft of development in the South part of the precinct is anticipated to include workplaces focused on growth sectors with a proposed 350 additional residential units, a diverse range of retail and culture opportunities and wide-open spaces. The JV continues with both parties working together to deliver the overarching vision for IQL, to create an outstanding place and community. They will also retain interests in the buildings and management companies for development that has been undertaken to date at IQL.

During the year at Mayfield the UK Government invested £23 million from its "Getting Building Fund" to build out the 6.5-acre Mayfield Park and other infrastructure and public realm works. As well as providing much needed city centre green space, the park will also enable the delivery of the first phase of commercial development at Mayfield, which includes 320,000 sq ft of world class commercial space across two buildings. The £1.4bn regeneration of Mayfield is transforming a previously derelict part of Manchester's industrial heritage into a distinctive and imaginative mixed-use neighbourhood. Over the next 10 years Mayfield will provide 1,500 homes, 1.6m sq ft of market-leading commercial space and restaurants, bars, cafés, shops, cultural spaces and a hotel. It is envisaged Mayfield will create opportunities for more than 10,000 office, retail, leisure jobs, in addition to over 630 FTE construction jobs, up to 2,500 supply chain roles and 25 apprenticeships annually. Over the next decade the project is forecast to deliver over £7.4bn of GVA to the local economy.

LCR and Network Rail, working through our formal Collaboration, have an ambitious programme to deliver new homes across England through identifying and delivering placemaking and development at and around railway stations. The Collaboration brings together Network Rail owned land, other Public sector land and land owned by the private sector to create a critical mass for development and make more effective and valuable use of the land combined. The assembled opportunity is then promoted through the planning process and having achieved planning certainty the opportunity is sold to the end developer.

The LCR & Network Rail collaboration, and LCR's participation in the Greater Manchester Stations Alliance with Transport for Greater Manchester (TfGM) and Network Rail, has to date seen us review over 1,900 sites for development potential. In time these collaborations will release land that can support many thousands of homes. We look forward to replicating these collaborations and partnerships with local authorities where they bring access to land to support LCR's growth strategy.

Enhancing asset management operations to secure our position

As part of our Asset Management Strategy, we have updated our asset management plans to highlight risks and opportunities in our portfolio, enabling us to target investment to maintain customer retention, increase customer satisfaction and improve property operating costs.

Investing in our people

Our annual employee engagement survey showed staff engagement at 74%. We were nominated for the 'Employer of the Year' award by Estates Gazette last year. These endorsements are a testament to our culture

Chief Executive's Statement (continued)

and our pride in what we do. However, we are striving to do better and are putting in place actions that will enable us to participate in and secure a position in the UK's best small businesses to work for this year. We recognise there are opportunities to do more, for example on mental health, wellbeing and inclusivity. The last year has highlighted that we need to focus more on helping us stay connected and supportive of each other.

Climate change

A priority for us this year will be understanding how we respond to climate change, while dealing with the immediate portfolio challenges related to the future of physical retail and office and the wider impacts of COVID-19. We know we have to do more. We will be more ambitious in order to play an active role in helping the UK's transition to net zero.

The financial year ahead

Certain drivers in the UK housing market remain unchanged, such as an undersupply of consented land and on-going demand. The financial resilience of local authorities, however, will have been impacted by the call on their resources occasioned by the pandemic.

We will undoubtedly see subdued operational performance and a reduction in rental income in the current year. For many of our existing customers there is a difficult period ahead as they look to rebuild their businesses. Some will want to downsize, some will decide to continue working remotely, some may fail while others will recover quickly.

LCR has the financial strength, innovative wherewithal and necessary skills to meet these challenges. Despite the unprecedented level of uncertainty at the current time, we will continue to look forward to the future with confidence in LCR's prospects.

Our ambition remains to turn challenging sites into great places to live, work and play for the benefit of society. We are well on our way, and whilst there is much still to do, my Executive colleagues and I look forward positively to the year ahead. My thanks go to the Board and our shareholder for their ongoing support but, most importantly, I thank the LCR team for all their outstanding efforts during what has been an incredibly challenging year for all.



Peter Hawthorne
Chief Executive
29 July 2021

Our Market and Strategy

Purpose, strategic intent and 'Public Value'

'...From challenging sites, we enable the creation of great places for the benefit of society...'

LCR operates at the interface of the Rail, Real Estate, Public and Private Sectors. We are unique in that we understand how the various sectors work and we can work with all sectors. We use our knowledge and experience of those sectors to identify opportunities not obvious to others, to overcome problems that others may consider intractable and through this create value which we share. We have the ability to act as the "guiding mind" for the delivery of a significant programme of development at and around stations working in partnership with public and private sectors. We have identified the opportunity through the creation of our strategy to deliver in excess of £7bn Public value from the work we will do.

The market in which we operate

The UK has a population of 66 million (Source: ONS 2017) expected to reach 74 million by 2039; a 12% increase on today. Over 80% of this is currently urban, predicted to be close to 85% in 2039. This is putting further pressure on towns and cities, which need to provide the additional infrastructure, public places, services and amenities to meet demand. Crucially it is also driving the need for new and affordable housing, which the Government has committed to address by targeting building 300,000 new homes a year. On the supply side, brownfield sites in England could provide more than 970,000 homes, but 40% do not yet have planning permission.

A key focus is attracting and retaining talent and supporting innovation in the UK, by providing the infrastructure and quality mixed-use spaces where people are proud to live, work, play and study. Creating thriving new neighbourhoods that promote four of the major economic growth drivers – talent, transport, tolerance for diversity and tourism – bringing jobs, driving productivity and stimulating local economies. Businesses have to stay relevant to growth trends and modern, constantly changing living, working and shopping habits. Consumers will continue to visit those places providing either a rich customer experience with a mix of shopping, leisure, culture and community, or convenience as instant purchases will also have their place. Talent will be attracted to those businesses that provide the best environments, work-life balance, transport and amenities to make life as enjoyable and manageable as possible.

LCR response

We look for places that we can improve, many of them under-loved or overlooked. Typically, these sites are too complex for REITs and too mixed in use for housebuilders, but they suit us perfectly. We believe developments can only work when people are prioritised, so we take the time to delve into the history and character of these sites and reflect these in our schemes. We will partner with the private or public sector, local authorities and central/local government; to generate optimal returns from existing assets and unlock their potential.

We work closely with communities and partners from the outset to ensure we are creating places that will meet the daily needs of the different generations. Quality and sustainability are key. We understand the importance of accessibility, working with our partners to ensure public transport, road, cycle and walking access open areas. The amenities available must also meet modern flexible living/working habits to encourage closer communities in the long term and support growth.

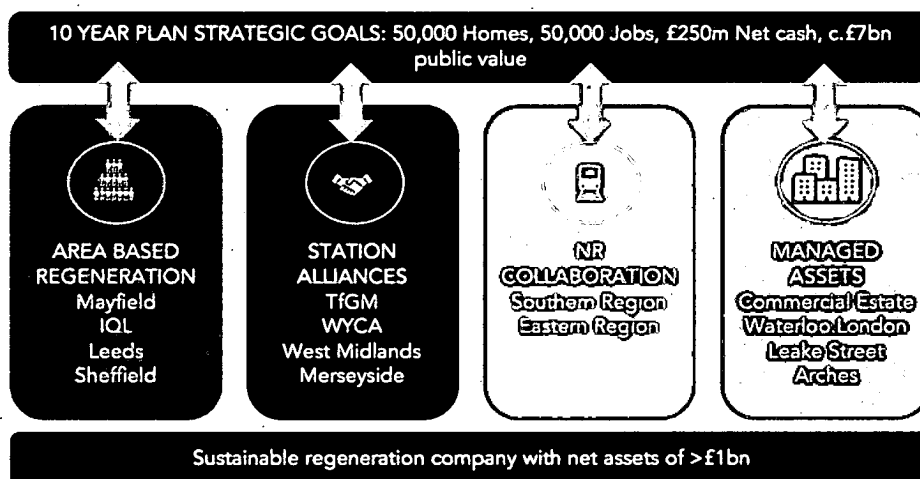
Our Market and Strategy (continued)

Our size flexibility means we can anticipate change and respond to it quickly. We foster close relationships with the public and private sector and regulators, many of whom know us well. We are thought leaders on the major issues, working collaboratively towards policies and a regulatory framework that will support our shared goal of helping local communities to prosper. The need for quality (and affordable) housing, office and leisure space will continue regardless of leadership or politics.

Our schemes encourage more healthy, active lifestyles and help cultivate a sense of community. Typically, they offer green space to encourage cycling and walking and a range of leisure amenities – such as gyms, yoga studios, bike facilities and entertainment. Design, automation and energy management systems are created to optimise comfort, environmental quality and sustainability and, in turn, productivity.

Our 25-year track record and successes to date gives us an edge and provide unique access to public and private sector opportunities. Our focus on regeneration at or near Rail hubs & stations, where we have both the intimate understanding of local demographics and their evolving needs, as well as the flexible approach and creative vision to see and realise potential, mean we can support local authorities in meeting the growing demand for high quality spaces.

Strategy Goals



LCR's strategy reflects four main pillars of activity:

- Area based regeneration projects: Manchester Mayfield and IQL, the JV with Lendlease at Stratford;
- Place-based alliances e.g. Transport for Greater Manchester (TfGM)
- Network Rail (NR) collaboration; and
- Managed assets.

We will continue to explore other opportunities as our plan unfolds, but by focusing on these four pillars of activity we are targeting our strategic goals referenced at the top of Figure 1, the end result being that at the end of a 10-year period we will have grown LCR to become a sustainable regeneration company.

Section 172 Statement - Companies Act 2006 (s172)

Each of the Board of Directors is mindful of their duties under s172, acting in good faith for the benefit of our stakeholders and in so doing, taking into account the impact of any long-term decisions on stakeholder relationships and our impact on the environment while maintaining high standards of business conduct at all times.

The board has identified our key stakeholders in two categories: those we impact – employees, communities and suppliers and those that impact us – our shareholder and partners.

1. **Our Employees** – essential to the delivery of our strategy. LCR has seen an increased head count during the year as we invest in our people to deliver our ambitious strategy. The recent employee engagement survey indicated that engagement levels remain high and as part of our ongoing transformation strategy, we have embarked on a comprehensive employee wellbeing strategy to further enhance skills by providing job related training, mental health training and support, employee wellbeing and assistance packages and regular communication through briefings from our Chief Executive to keep employees informed of developments regarding our strategy.
 The board receives regular updates from the Executive Directors regarding employee wellbeing.
2. **Communities** – the direct recipients of our strategy outcomes. ‘...From challenging sites, we enable the creation of great places for the benefit of society...’. This is our statement of intent to differentiate LCR from others within the built environment sector. LCR’s strategy supports the ambition to be an industry leader in the pursuit of public value, making this inherent to everything we do in business. provides the opportunity for us to create £7bn of public value by providing homes, jobs, places to work and community spaces.
 The public value strategy consists of three tiers:
 - Tier 1 – corporate level – where we set and deliver ambitious targets
 - Tier 2 – operational level – day to day influence on developments and projects
 - Tier 3 – community level – tailoring projects to contribute to public value by tackling specific issues in the communities in which we work

The board will consider the public value credentials of all new projects with which we engage.

3. **Suppliers** – key to helping us achieve our strategy and create value. We develop relationships with our suppliers to ensure that our objectives are aligned and mutually beneficial. We aim to work with suppliers who share our approach to health and safety and compliance and through our comprehensive, fair and competitive procurement function we ensure that our supply chain is of a calibre that will help us achieve these.

Once suppliers are engaged, we perform comprehensive contract management to ensure contracts are delivered in accordance with agreements and therefore contribute to delivery of our strategy.

The board is kept apprised of new high value contracts as they are tendered and let and the ongoing management of current high value contracts in the context of overall contract performance contribution to our strategy.

Section 172 Statement - Companies Act 2006 (s172) (continued)

4. **Our Partners** - strategic collaboration to enhance delivery. LCR partners with various public sector bodies, local authorities and private sector bodies in the pursuit of our strategy. Our partners are selected for their assets, resources, local government connections and expertise, that when combined with LCR's expertise in regeneration, aims to produce a body capable of achieving our common targets. LCR has a unique appreciation of the challenges faced by private and public sectors bodies and is therefore well placed to deliver sustainable value for all stakeholders.

The board, with their extensive experience in both public and private sectors are well placed to assist in fostering and driving forward collaborations with our current and future partners. Through regular updates from Joint Operating Board meetings, the board are aware of progress of our current collaborations and as new opportunities arise, assist in identifying future collaborations.

5. **Our Shareholder** – encouraging ambition in the achievement of broader policy objectives of providing homes and levelling up. Through the period of LCR's intensive strategy formation, our shareholder has encouraged ambition in the opportunity to use our capability to realise value from underutilised assets in and around railway stations across the UK network. Our shareholder is uniquely placed to assist in forming collaborations with the likes Network Rail and other bodies within the DfT group and also for connections to other government departments where resources of all levels exist to assist in achieving our strategy.

Financial Review

Overview

The Covid-19 pandemic began to manifest itself in the final month of the 2019/20 reporting period and its impact is borne out more fully in our results this year. Both our operational business and asset base are resilient. We have continued to invest in our asset base, but this has been offset by downward market movements in asset values at the end of the year valuation. These movements offset our year-on-year increase in gross profit to result in a £65.1m loss before tax this year. Our balance sheet remains strong and our cash of £80.1m provides sufficient cover to withstand any reduction in cash flow from rents as a long-term result of the pandemic and enable us to continue to progress our strategy.

As part of the preparation of our financial statements, there has been a focus on our going concern assessment. Further information on our approach and the results of our assessment is included in Note 1 of the financial statements.

The UK lockdown impacted the level of rent collections in the year, leading to increased provisions for year-end debtors, mainly at our Leake Street Arches site where the tenants are in the food and beverage sector, the hardest hit by the pandemic. We are in the process of agreeing concessions with the tenants and continue to work closely with our managing agents and customers during this difficult time.

Financial Review of 2021

Statement of comprehensive income

The Group's revenue increased by 15% to £37.1m (2020: £32.2m) as a result of increased property sales income in the year. Gross profit increased by 22% to £25.9m (2020: £21.2m). Administrative costs reduced to £8.5m (2020: £8.9m) reflecting reduced corporate overhead spend offset by increased recruitment of additional employees' costs to support the Company's continuing growth. There is an increase in the bad debt provision reflecting the continued financial difficulty of our tenants at Leake Street Arches. The Group made an operating loss in the year of £55.8m (2020: loss £10.9m), this was caused by the revaluation deficit on our property portfolio which increased to £71.1m (2020: £23.1m). The deficit reflects the negative movement in property sector yields.

Valuation of investment properties

Our underlying portfolio (excluding Right of Use Assets) has declined in value by 7% to £193.6m (2020: £208.3m). This reflects the outward movement in yields, the sectors most affected being retail and food and beverage.

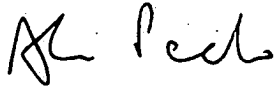
Statement of financial position

Our net assets declined over the year ended 31 March 2021 primarily due to the reduction in property values and the cash expended on developments, operations and dividends during the year.

Financial Review – (Continued)

Movement in cash

Net cash generated from operations was £13m (2020: £0.2m). Capital expenditure was £32.8m (2020: £23.9m) largely spent on our development Waterloo.London. Net cash inflows from disposals of investment properties and land were nil (2020: £14.1m). A dividend of £10m (2020: £18m) was paid to our parent the DfT during the year.



Alan Peelo
Chief Financial Officer
29 July 2021

Viability Statement

In accordance with provision C.2.2. of the UK Corporate Governance Code, the Board has assessed the prospects of the Group over a longer period that the 12 months that has been required by the 'Going Concern' provision. In doing so, the Board considered the Group's current position and the potential impact of our principal risks and future prospects. This included interrogating the financial models and related sensitivity analysis of various economic scenarios.

LCR Business Model

LCR's business model is to deliver returns through asset management, regeneration and land promotion, thereby realising rental income and reinvesting profits to transform undervalued land and assets into new places that deliver social and economic value to a wide range of stakeholders.

The LCR Way depicts the delivery of the housing strategy from identification of potential sites, collaboration with the appropriate delivery partner, land assembly, promotion and then disposal within a time frame of just over 3 years. The model allows for strategic identification of new business opportunities, successful promotion of land through securing new planning permissions, maintenance of cashflow to allow reinvestment into new opportunities as completed projects are exited and being regional across the UK, allows for a diversified portfolio which supports wider policy objective set by Government.

Assessment period

The five-year assessment period reflects lease lengths or rent review patterns across the majority of our portfolio. Whilst the Directors consider prospects over a longer period in the execution of our strategy, we consider this assessment horizon strikes the optimum balance between planning for the longer term and the progressively unreliable nature of forecasting in later years. The Directors confirm that they have no reason to expect a material change in the Group's viability immediately following the end of the five-year assessment period. Therefore, for the purposes of this review, the business has been considered and stress tested over a five-year period.

Assumptions

In assessing the long-term viability of the Group, the Board has made the following assumptions:

- After an initial fall in values mainly due to market response to the pandemic, valuations are expected to remain stable in the medium to long term;
- The Group continues to be able to deliver cash-backed development and trading gains from its existing portfolio of projects sufficient to meet its operational requirements.
- The Group continues to be able to source new business opportunities capable of delivering both short-term trading gains and longer-term development gains to replace existing projects as they are exited;
- The Group continues with its policy of maintaining a broad range of counterparties, including financial, contractor and purchaser, so as to mitigate the impact of potential counterparty failure;
- The Group continues its policy of de-risking developments by obtaining forward-funding for larger schemes and only carrying out limited on-balance sheet development; and
- Construction contracts are entered into on a guaranteed maximum price basis where possible.
- The Group maintains its current conservative 0% gearing strategy.

Viability Statement (Continued)

Conclusion

The Group does not have access to borrowings but continually reviews funding requirements and maintains a close relationship with existing and potential funding partners (e.g. Homes England, DfT) to ensure the continuing availability of funding.

There are a number of other ways for the Group to raise or preserve funds:

- Disposal of assets;
- Reduction in dividend; and
- Reduction in refurbishment/investment programme.

As a result of the risk mitigation factors available to the Group and the work performed above, including the consideration of the key assumptions and the subsequent stress testing, the Board believes that the Group's strategy of maintaining a broad portfolio of development and trading projects, a core investment portfolio and a diverse range of financial and operational counterparties provides the Group with a strong platform on which to continue its business. The Directors therefore have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to March 2026.

Corporate Governance

Directors

The Secretary of State for Transport approves all Non-Executive Director appointments and, as Shareholder, appoints a further Non-Executive Director as his representative.

Board composition

At the date of this report, the Board consisted of one non-executive chair, one executive director and three non-executive directors.

Board Changes during the year

There have been a number of changes to the Board during the year. Tim Garnham resigned on 11 January 2021 and Alex Reeves resigned on 25 March 2021. Neil Sachdev joined the board on 25 March 2021 and Tony Poulter was appointed post year end on 1 April 2021.

The Directors set out in this report how the principles of good governance are applied within LCR. The Company is a private limited company and during the year the Secretary of State for Transport was the sole shareholder in the Company.

Compliance with the UK Corporate Governance Code

LCR is committed to maintaining the highest standards of corporate governance. The DfT Framework Agreement requires the group and the directors to adhere to the UK Corporate Governance Code so far as reasonably practicable and save to the extent inconsistent with the other provisions of the DfT Framework Agreement. The company adheres to the principles of the Corporate Governance Code 2018 to the extent considered appropriate by the Board. A number of the principles and provisions in the Code are not relevant to LCR and the principal area where LCR did not comply is summarised below.

Provision 11: Independence of Directors

At least half the board, excluding the chair, are not non-executive directors whom the board considers to be independent when assessed against the circumstances set out in Provision 10.

LCR operates under a Financial Framework Agreement with the Department for Transport, which was last renewed in October 2016, and whose provisions include:

- Governance of LCR by DfT;
- LCR's Board and general principles;
- LCR's Budget, Business Plan and Reports; and
- Principles governing the LCR/DfT relationship.

The Workings of the Board and its Committees

The Board met six times in the year. The Board ensures the Group has adequate funding in place by monitoring (through regular reporting from the Executive Directors and Senior Management) the sources and levels of funding available to the Group. Board members receive management accounts of the Group and a cash flow report at each Board meeting. During the year the Board comprised the Non-Executive Chairman (Nick Markham), Chief Executive (Peter Hawthorne), the Senior Independent Non-Executive Director (Tim Garnham)

Corporate Governance (continued)

and two other Non-Executive Directors (Mike Dunn and Alex Reeves). Tim Garnham was chairman of the Remuneration Committee and Mike Dunn chaired the Audit & Risk Committee. There were two resignations from The Board during the year, Tim Garnham (resigned on 11 January 2021) was replaced by Neil Sachdev¹ (appointed on 25 March 2021) and Alex Reeves (resigned on 31 March 2021) was replaced by Tony Poulter, post year end, on 1 April 2021.

The dates of the LCR Board Meetings and the attendances at them are set out below:

Name	02/07/2020	30/07/2020	09/10/2020	04/12/2020	28/01/2021	25/03/2021
N Markham (c)	a	a	a	a	a	a
M Dunn	a	a	a	a	a	a
T Garnham	a	a	a	a	n/a	n/a
P Hawthorne	a	a	a	a	a	a
A Reeves	a	a	a	a	a	a
N Sachdev	n/a	n/a	n/a	n/a	n/a	a

The Non-Executive Directors meet without the Executives present from time to time. At all times during the year, the number of Non-Executive Directors on the Board exceeded the number of Executive Directors.

The Non-Executive Directors, with their wide range of backgrounds and experience, are of sufficient calibre and character to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct, with experience relating to property transactions.

Appropriate insurance cover is in place in respect of legal action against the Group's Directors.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that the Board procedures and applicable rules and regulations are followed. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Directors can take independent professional advice at the expense of the Group if they consider it necessary.

The Non-Executive Directors have a responsibility to ensure that the strategies proposed by the Executive Director are fully considered. All Directors receive appropriate and timely information to enable them to fulfil their duties; briefing papers are distributed to all Board members by the Company Secretary in advance of meetings.

Board Effectiveness Review (BER)

To ensure that the optimal performance of the Board is maintained, an internal evaluation of the effectiveness of the Board was conducted this year. An external evaluation is instructed every three years in accordance with the Code's best practice standards, with the next due in 2021/22.

Corporate Governance (continued)

Audit and Risk Committee

The Audit & Risk Committee comprises all the Non-Executive Directors of the Company and during the year all members of the Committee were considered by the Directors to be independent.

The dates of the Audit & Risk Committee meetings and the attendances at them are set out below:

Name	11/06/2020	24/09/2020	21/01/2021	18/03/2021
M Dunn (c)	a	a	a	a
T C Garnham	a	a	n/a	n/a
P Hawthorne	a	a	a	a
N F Markham	n/a	n/a	a ²	n/a
A L Reeves	a	a	a	a

Audit and Risk Committee Activities

At least one member of the Committee has recent and relevant financial experience. The Committee's formal terms of reference were adopted by the Board in 2008 and re-confirmed in 2017. The Committee met four times in the year. The Committee monitors the integrity of the financial statements of the Group, reviews the internal financial controls and the internal control and risk management systems. It provides a forum for reporting by the Group's external auditor.

The Committee meets and/or discusses matters with the external auditor at least once a year without the Executive Directors present. The Audit & Risk Committee is chaired by Mike Dunn. The Committee considers that it is not necessary for an organisation of LCR's size to maintain an internal audit function in-house. The Committee instead looks to commission independent audits of areas of Audit Committee focus. During the year the Committee commissioned PwC to undertake an internal audit on Procurement.

In the 2020/21 year, the key issues considered by the Committee were Counter Fraud, Bribery and Corruption, the Risk Register, Whistleblowing policy, the Audit & Risk Committee terms of reference, the audit tender process, tax matters, a programme of internal audits and an assessment of an internal audit on Procurement performed during the year.

The Committee has reviewed the annual audit plan and the interim audit procedure report. The Committee has reviewed the risk identification process and audit delivery against the audit plan. It should also be noted that the Chief Financial Officer attends Audit and Risk Committee meetings to ensure that auditor performance is communicated effectively. Based on this, the Committee can report that the external audit process is working effectively.

No non-audit services were provided within the prior or current year by Mazars. In addition, the Audit & Risk Committee receives each year a letter of confirmation from the external auditor confirming that, in its professional judgement, it remains independent within the meaning of its regulatory and professional requirements and that its objectivity is not impaired.

The Committee can therefore confirm that it has discharged its responsibilities appropriately.

² Nick Markham attended this meeting by invitation of the Chair of the Audit and Risk Committee

Corporate Governance (continued)

Nomination Committee

The Nomination Committee is responsible for all aspects of the appointment of Directors of the Company and comprises all Non-Executive Directors. The Committee was chaired by Tim Garnham until his retirement on 11 January 2021. The Committee held meetings on 21 January and 18 March 2021 which were chaired by Nick Markham. Following his appointment on 25 March 2021 Neil Sachdev will chair the Committee. Mike Dunn was appointed Senior Independent Director by the Committee following the retirement of the previous Senior Independent director Tim Garnham.

The duties of the Committee and the details about the nomination process are set out in the Committee's Terms of Reference.

The dates of the Nomination Committee meetings and the attendances at them are set out below:

Name	11/06/20	24/09/20	21/01/21	18/03/21
T C Garnham (c)	a	a	n/a	n/a
M Dunn	a	a	a	a
N F Markham	a	n/a	a	a
A L Reeves	a	a	a	a

Remuneration Committee

The Remuneration Committee comprises all Non-Executive Directors and was chaired by Tim Garnham until his retirement on 11 January 2021. The Committee held meetings on 21 January and 18 March 2021 which were chaired by Nick Markham. Following his appointment on 25 March 2021 Neil Sachdev will chair the Committee. Formal terms of reference of the Committee were adopted by the Board in 2008 and re-confirmed by DfT in 2016. The Committee met several times during the year. The Board has delegated to the Committee responsibility for setting the remuneration of all Executive Directors including pension rights and any

compensation payments. It recommends and monitors the level and structure of remuneration for senior management. The Board considers the remuneration of the Non-Executive Directors.

The dates of the Remuneration Committee meetings and the attendances at them are set out below:

Name	11/06/2020	20/10/2020	30/10/20	21/01/21	18/03/21
T C Garnham (c)	a	a	a	n/a	n/a
M Dunn	a	a	a	a	a
N F Markham	a	a	a	a	a
A L Reeves	a	a		a	a

The remuneration of the Executive Directors is designed to align their interests with the objectives of the Group including its corporate objectives, and to incentivise them to perform at the highest level. The levels of remuneration for the Non-Executive Directors reflect their time commitment and responsibilities of their role, including the chairmanship of committees of the Board.

Share options are not available to the Directors.

The Group has not adopted a formal policy on the duration of Executive Directors' service contracts, which in practice have no fixed termination date, but which provide for periods of notice of termination on either side. Non-Executive Directors typically serve for a three-year period, which in line with the Code, can be extended twice.

Corporate Governance (continued)

Risk management

The Group seeks to continuously improve its risk management and operates an agreed Risk Management Framework. This sets out the Group's approach to the management of corporate risk, the roles and responsibilities in respect of risk management and the process by which risks are assessed and, if appropriate, escalated.

The Executive Committee, which meets formally each month, supports the Chief Executive in day-to-day identification of risks and in the management of risks in accordance with the framework. The Executive Committee reports to the Audit & Risk Committee and the Board with regards to the management of the high-level corporate risks.

The Audit & Risk Committee reviews the effectiveness of the risk framework to ensure that the aims, objectives and key targets of the Company are achieved in the most economic and effective manner.

The Audit & Risk Committee carries out an annual assessment of the robustness of risk management processes. The most recent review was carried out at the March 2020 meeting. Risk management processes were found to be robust.

The Board through the Audit & Risk Committee and Executive Director is responsible for ensuring that high standards of corporate governance are observed at all times and that an appropriate and active risk management framework remains in place. The Board agrees and periodically reviews the management of the corporate level risks and provides leadership on risk management engendering a "no surprises" culture regarding risk within the organisation.

The major risk and uncertainties can be found on page 25.

Internal Control

The Accounting Officer for LCR is Peter Hawthorne, the Chief Executive, who shares with the Board of LCR the responsibility for maintaining a sound system of internal control that supports the achievement of the Company's objectives and acts to safeguard the public funds and the Group's assets for which he is responsible, in accordance with the responsibilities under the Government document 'Managing Public Money'.

The Audit & Risk Committee is responsible for assessing the Company's system of internal control, for reviewing its effectiveness, and for making recommendations on internal control issues to the Board. The internal control systems are designed to provide reasonable, though not absolute, assurance against the risks faced by the business including material misstatement, loss and fraud.

The Board retains responsibility for financial risk identification and compliance matters and receives regular reports in all these areas including treasury and investment matters. Formal control is exercised through a

management structure which includes clear lines of accountability and documented financial delegations of authority from the Board. These are subject to periodic review.

The Group's overall management process integrates the role of the Board, its Committees and the LCR Executive Committee which meets monthly to consider all key business issues including safety. The Group prepares an annual budget, performance against which is actively monitored by the Board.

Corporate Governance (continued)

Internal Control (continued)

The system of internal financial controls in LCR is monitored by the Chief Financial Officer and the Chief Executive who are accountable to the Audit & Risk Committee. In addition, the external auditor reports to the Audit & Risk Committee matters regarding internal financial controls which arise as a result of its audit work. No material weaknesses in the system of internal financial control have been identified by these reviews.

The Group is required to undertake a regular review of its internal control systems. The review process within LCR continues throughout the year. To the extent that significant risks, failings or control weaknesses arise during the year, appropriate action is taken to rectify the issue and implement controls to mitigate further

occurrences. The external auditors report to Audit & Risk Committee on control weaknesses identified during the year end audit. The audit process in respect of the financial results for the year ending 31 March 2020 did not identify any significant control weaknesses

The Group is required to assess its financial viability over a period significantly longer than 12 months. The Board carries out this task by undertaking an annual review of the LCR business plan. Following the review of the business plan, which took place in March 2021 and a further post Covid-19 review by the Audit and Risk Committee in July 2021, which was reviewed by the Board, the Board is satisfied that these accounts be prepared on a going concern basis.



Major risks and uncertainties

Managing our principal risks and uncertainties

The Directors have systematically assessed the Group's principal risks. Our opinion is that the Company's exposure to this risk is not materially higher than similar UK-focused businesses. The changing circumstances caused by Covid-19 with its associated economic uncertainty presents a rapidly changing operating environment. Although our performance has been impacted, our financial position remains strong and demonstrates the importance of our risk management to protect our business through this period of uncertainty and adapt to a rapidly changing environment. We have robust crisis management and business continuity plans in place and acted swiftly in dealing with the exceptional challenges posed by Covid-19; our focus has been on the safety of our people; supporting our customers and suppliers and maintaining our assets. Today the successful rollout of the Government's vaccination programme provides us with optimism, but we are mindful that the trajectory for this pandemic is highly uncertain given the risk of future variants. Therefore, risk management and the Group's continued ability to be flexible in responding to the risks as they evolve will be fundamental to our business.



Principal risks, uncertainties and opportunities

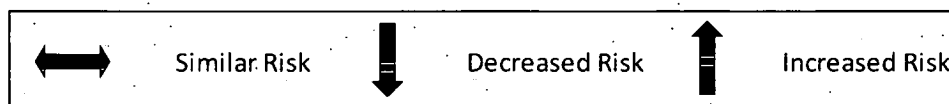
Risks are considered by the Board as an intrinsic part of strategy setting and consideration of new opportunities.

Category of risk	Risk description	Impact on strategy	Mitigations	Change in Risk status FY20/21
People	Failure to attract, retain and develop our people thereby ensuring the right skills in the right place at the right time for our strategy; failure to increase female and ethnic minority representation at senior levels within the organisation	Reduced ability to achieve business plan and strategy; reduced control; inability to grow; failure to innovate and evolve to be responsive to the market; impact on our reputation.	Succession plans and retention strategies for key staff. Staff members have development plans, our focus is providing internal career progression. Learning and development programme, which includes coaching, management and leadership training. Quarterly performance reviews Annual employee engagement survey.	
Market	Weak macro-economic transactional conditions leading to tenant vacancies, negative valuation movements and the inability to transact on acceptable terms. This could arise due to poor market conditions associated with the cyclical nature of the real estate sector or potentially negative consequences arising from Covid-19.	Economic uncertainty leading less demand for assets that we are looking to dispose of; pressure on rental and occupancy levels; falling asset values; subsequent investment constraints on further investment. Unable to provide shareholder with sustainable returns in the medium to long term	We have a geographically diverse portfolio and exercise active asset management to enhance returns. We have a portfolio of diverse assets to enable sales where necessary. The focus on land promotion potentially leverages greater partnership flexibility and lower overall financial commitment compared with direct development.	

Major risks and uncertainties (continued)

Principal risks, uncertainties and opportunities (continued)

Category of risk	Risk description	Impact on strategy	Mitigations	Change in Risk status FY20/21
Financial	The inability to obtain sufficient finance arising from external factors/events (including, but not limited to, Covid-19) which impacts the ability to fund the delivery of the strategy and maintain a strong capital structure.	Lack of finance, through delayed/lower cash sales coupled with income and cost over-runs deplete cash resources; thereby hampering ability to pursue the land promotion strategy, at the relevant time.	<p>We monitor our cash closely to maintain sufficient capacity.</p> <p>We carry out detailed financial viability sensitivity testing and develop clear mitigation contingency plans.</p> <p>We have continued to develop a relationship with Homes England.</p> <p>We conduct our business within Board-approved capital operating guidelines.</p> <p>We have a portfolio of diverse assets to enable sales where necessary.</p> <p>Due to our close monitoring of the transactional pipeline, we can control the timing of investments to reduce cash outflows if needed.</p> <p>Our strategic focus is to increase our asset management income and achieves asset sales to provide greater financial headroom</p>	
Strategic relationships with our partners	<p>We work with a number of strategic partners through joint ventures, partnership and collaboration arrangements. Maintaining effective relationships and trust is a key element of our success.</p> <p>A breakdown in those relationships and hence the trust of our partners, could result in an inability to deliver our business plan particularly in relation to the delivery of our JV and transport pipelines.</p>	<p>Poor partner relations and performance could constrain the pursuit of the land promotion strategy and lead to sub-optimal outcomes in the JVs.</p> <p>Commensurate with that is a possible negative impact on our reputation as a partner of choice.</p>	<p>Regular partner and stakeholder engagement.</p> <p>Robust joint venture governance processes to support compliance and performance</p> <p>Executive management oversight through formal reports to Commercial and Investment Committee and Board.</p>	



Directors' Report

The Directors present their report, together with the accounts of the Group for the year ended 31 March 2021.

Principal activities

The London & Continental Railways Group had the following main activities which were carried out through the Company, its subsidiaries and associates:

- to manage our portfolio of assets to deliver on the Government's drive for homes, jobs and growth;
- to manage the Group's interests in the redevelopment of the substantial sites at Stratford and Manchester Mayfield through joint venture arrangements;
- to extract optimum value from the Group's property assets;
- to manage certain assets on behalf of DfT;
- to develop our property assets; and
- to settle remaining ex-HS1 property interests and obligations.

Basis of preparation

The financial statements are prepared under International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The Directors consider that the report and accounts, taken as a whole, are fair, balanced, and understandable.

Going Concern and Covid-19

At a time of such significant upheaval to our normal way of life, it is natural that there is a heightened degree of uncertainty. The Directors consider the going concern basis to be appropriate because the Group and Company have adequate cash reserves to settle their obligations and has the support of its shareholder. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Further information on our approach and the results of our assessment is included in Note 1 of the financial statements.

Results and dividends

LCR's Consolidated Statement of Comprehensive Income is set out on page 38 and shows a loss before tax for the year of £55.8m (2020: loss of £10.9m).

During the year, a dividend of £10m (2020: £18m) was paid to DfT.

Post balance sheet events

There have been no significant subsequent events that require adjustments in this Annual Report. In providing disclosure around non-adjusting events we are seeking to provide users of the financial statements with further information to assess our financial position. There are three significant non adjusting subsequent events that require disclosure.

Directors' Report (continued)

Review of business and future developments

The Chief Executive's statement sets out the review of business and future developments.

LCR is owned by the Secretary of State for Transport and continues to operate in line with a Financial Framework Agreement which was last updated by the DfT in October 2016.

LCR expects to continue to derive investment growth and income from its property development and investment interests.

Government classification

LCR is a public corporation and has been a wholly owned entity of the Secretary of State for Transport since 2009 when the Group's shares were acquired by the Secretary of State and the Group's Government-guaranteed debt was taken into the public sector.

Financial instruments

The main financial instruments the Group holds at 31 March 2021 are:

- cash deposits, and short-term investments held with fund managers; and
- trade debtors, trade creditors, and other instruments incidental to the Group's operations.

The Group holds cash in order to fund both its legacy obligations and its ongoing property-related activities. Funds not immediately required for the Group's operations are invested at fixed and floating interest rates, either through managed funds or Group-managed deposits, all denominated in sterling. The types of financial instrument used for investment purposes must be approved in advance by the Board prior to obtaining the consent of the Secretary of State. The Board also sets down limits, both in terms of capital invested and market price risk, for this activity. During the year, the only investment instruments held were listed debt securities and bank deposits.

The risks arising from the Group's financial arrangements are low, but there remains a degree of interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group was debt free throughout the year with surplus funds invested at market rates.

Liquidity risk

The Group's objective is to ensure that sufficient funding is available for the exploitation of its property portfolio and for remaining legacy liabilities.

The funds which are not being used currently have been invested in managed funds with a range of maturities to match commitments.

Currency risk

At 31 March 2021 the Group has minimal exposure to currency risk.

Directors' Report (continued)

Credit risk

The Group's surplus cash is deposited in highly rated listed debt securities and bank deposits. This is not considered to present a material credit risk.

Directors and their interests

The Directors who served during the year, and to the date of the approval of this report and accounts unless stated otherwise, were as follows:

Executive Directors

P Hawthorne	Chief Executive
-------------	-----------------

Non-Executive Directors

N F Markham	Non-Executive Chairman
M Dunn	
T C Garnham	Resigned 11 January 2021
A Poulter	Appointed 1 April 2021
A L Reeves	Resigned 31 March 2021
N Sachdev	Appointed 25 March 2021

No Director has had, at any time, any interest in the shares of any Group company.

Charitable and political donations

No charitable or political donations were made during the year (2020: £nil).

Employee practice

The Group is a non-discriminatory employer operating an equal opportunities policy, committed to the employment and promotion of all staff based on merit, without regard to race, colour, sex, marital status or disability. Where appropriate, training is adjusted to cater for an individual's disability and the disabled share the same conditions of services as other staff in relation to career development and promotion.

Our range of employment policies and guidelines reflects legal and employment requirements in the UK and safeguards the interests of employees, potential employees, and other workers. We do not condone unfair treatment of any kind and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, and disability, religious or political beliefs.

The Group is committed to effective employee communication which is achieved by meetings and regular briefing sessions. By these means employees are systematically provided with information on matters concerning them, achieving a common awareness of factors affecting the Group's performance.

Directors' Report (continued)

Health and safety

The Group's policies and procedures relating to health and safety at work recognise the requirements of current legislation and are kept under constant review to ensure a safe working environment for all associated staff. The Group has a commitment to improve continually its performance in the areas of health and safety. LCR has a Safety Committee that reports into the Executive Committee. All health and safety matters are reported at each Board meeting.

Environment and sustainability

Through the LCR Sustainability Policy, the Group recognises the importance of its environmental responsibilities and has processes in place to manage its environmental effects and those of its contractors. It is committed to doing this diligently. The Group is implementing an environmental management system and sets targets to drive continual improvement. Targets currently include energy efficiency and waste recycling. Environmental Permits are held for the Marley and Factory Farm closed landfill sites, which continue to be managed in accordance with the permit requirements. The Group has a commitment to continually improve its performance in matters of the environment.

Streamlined Energy and Carbon Reporting (SECR)

Greenhouse Gas (GHG) Emissions Data in Kilograms of CO₂

Scope 1 Emissions (kg CO ₂) - Combustion of fuels (Direct Emissions)	
Scope 2 Emissions (kg CO ₂) - purchased energy (Indirect Emissions)	3,527,340
Scope 3 Emissions (not owned and controlled by the Group)	-
Total floor area sq ft	888,679
Carbon intensity per sq ft	3.92

The data reflects emissions at our tenanted sites which produce emissions by gas and electricity consumption. The emissions results are calculated using the UK Government issued GHG conversion factors for company reporting as issued by the Department for Business, Energy & Industrial Strategy. LCR is committed to following best practice recommendations for sustainability reporting and in so doing aims to progress gathering of data for scope 3 emissions in our upstream and downstream supply chains.

Slavery

Modern slavery is a crime and violation of fundamental human rights. LCR has a zero-tolerance approach.

Security of Assets

LCR is committed to the safeguarding of both physical assets and information assets. All staff have been provided with guidance on security of physical assets through the LCR corporate manual and health and safety policies and procedures. LCR's IT policies and procedures provide guidance on the protection of information assets.

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Directors' Report (continued)

Disclosure of information to the auditor

Each of the Directors at the date of the approval of the financial statement confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.



BY ORDER OF THE BOARD

Peter Hawthorne
Company Secretary
29 July 2021
Registered Office:
20 Cranbourn Street
London
WC2H 7AA

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as issued by the International Accounting Standards Board (IASB).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB); and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report
To the members of London & Continental Railways Limited

Opinion

We have audited the financial statements of London & Continental Railways Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity, Parent Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the group financial statements, the group in addition to complying with its legal obligation to apply international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 31 March 2021 of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's report

To the members of London & Continental Railways Limited (continued)

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's report

To the members of London & Continental Railways Limited (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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. Based on our understanding of the group and the parent company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation and we considered the extent to which non-compliance might have a material effect on the

Independent Auditor's report

To the members of London & Continental Railways Limited (continued)

financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and revenue recognized either side of year end.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report


This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Independent Auditor's report

To the members of London & Continental Railways Limited (continued)

extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Richard Metcalfe (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Mazars LLP
Tower Bridge House
St Katherine's Way
London
E1W 1DD

29 July 2021

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	<i>Note</i>	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Revenue	2	37,121	32,215
Cost of sales		(11,242)	(11,032)
Gross profit		25,879	21,183
Administrative expenses		(8,534)	(8,869)
Decrease in valuation of investment property and inventories	9	(71,145)	(23,131)
Operating (loss)/profit		(53,800)	(10,817)
Net financial (expense)/income	6	(741)	130
Share of (loss)/gain of joint venture	10a	(1,225)	(190)
Loss before tax		(55,766)	(10,877)
Taxation	7	5,316	(2,323)
Loss for the year		(50,450)	(13,200)
Other comprehensive income		-	-
Total comprehensive (loss)/ income		(50,450)	(13,200)
(Loss)/profit attributable to Equity holder of the parent		(50,450)	(13,200)

All items of Group income are derived from continuing operations.

The Notes on pages 45 to 73 are an integral part of these consolidated financial statements

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Consolidated Statement of Financial Position

As at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020£'000
Non-current assets			
Property, plant and equipment	8	2,260	2,571
Investment property	9	215,522	229,758
Investment in joint venture	10a	9,773	63,865
Receivable from related parties	12	18,869	17,997
		246,424	314,191
Current assets			
Inventories	11	9	9
Trade and other receivables	12	10,448	11,468
Cash and cash equivalents	13	80,068	78,604
		90,525	90,081
Total assets		336,949	404,272
Current liabilities			
Trade and other payables	14	(14,780)	(15,434)
Short term lease liability		(100)	(100)
Non-current liabilities			
Deferred tax liability	7	(10,529)	(16,829)
Long term lease liability	16	(23,740)	(23,876)
Other liabilities	16	(328)	(111)
Total liabilities		(49,477)	(56,350)
Net assets		287,472	347,922
Equity attributable to equity holder of the parent			
Share capital	18	958	958
Share premium	19	47,667	47,667
Capital redemption reserve	20	21,448	21,448
Retained earnings	21	158,205	218,655
Capital Contribution	21	59,194	59,194
Total equity		287,472	347,922

These financial statements were approved by the board of Directors on 29 July 2021 and were signed on its behalf by:



Peter Hawthorne
Chief Executive
Company Registered Number: 2966054

The Notes on pages 45 to 73 are an integral part of these consolidated financial statements.

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Retained Earnings & capital contributions £'000	Total Equity £'000
Balance at 1 April 2019	958	47,667	21,448	309,049	379,122
Loss for the year	-	-	-	(13,200)	(13,200)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(13,200)	(13,200)
Dividend to parent	-	-	-	(18,000)	(18,000)
Balance at 31 March 2020	958	47,667	21,448	277,849	347,922
Balance at 1 April 2020	958	47,667	21,448	277,849	347,922
Loss for the year	-	-	-	(50,450)	(50,450)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(50,450)	(50,450)
Dividend to parent	-	-	-	(10,000)	(10,000)
Balance at 31 March 2021	958	47,667	21,448	217,399	287,472

The Notes on pages 45 to 73 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 March 2021

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Cash flows from operating activities		
Loss for the year	(50,450)	(13,200)
Adjustments for:		
Depreciation and amortisation	431	282
Change in value of investment property	71,145	23,131
Financial income	49	(848)
Share of loss/(profit) of equity-accounted investments	1,225	190
Gain on sale of investment property/inventory	-	(7,697)
Gain on sale of assets held for resale	(7,143)	(1,573)
Taxation	(5,316)	2,323
Spreading of lease incentives	227	103
Decrease/(increase) in underlying trade and other receivables	835	1,392
(Decrease) in underlying trade and other payables	(728)	(1,446)
Loss on the sale of group companies	3,140	-
Interest expense	692	718
Tax paid	(1,074)	(3,169)
Net cash generated from / (used in) operating activities	13,033	206
Cash flows from investing activities		
Acquisition of investment property and property plant and equipment	(32,786)	(23,915)
Sale of investment property and inventory	-	14,134
Distribution from Joint Venture	29,900	-
Dividend from Joint Venture	2,000	-
Investment in associate	(634)	-
Interest received	(49)	848
Net cash from investing activities	(1,569)	(8,933)
Cash flows from financing activities		
Lease payments	-	(100)
Dividend paid to parent	(10,000)	(18,000)
Net cash outflow from financing activities	(10,000)	(18,100)
Increase/(Decrease) in cash and cash equivalents	1,464	(26,827)
Cash and cash equivalents at 1 April	78,604	105,431
Cash and cash equivalents at 31 March	80,068	78,604

The Notes on pages 45 to 73 are an integral part of these consolidated financial statements.

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Parent Company Statement of Financial Position

As at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Property, plant and equipment	8	2,260	2,571
Investment property	9	111,832	135,633
Investments in subsidiaries	10b	30,083	30,084
Receivable from related parties	12	41,751	47,532
		185,926	215,820
Current assets			
Inventories	11	9	9
Trade and other receivables	12	10,115	10,117
Cash and cash equivalents	13	80,068	78,604
		90,192	88,730
Total assets		276,118	304,550
Current liabilities			
Trade and other payables	14	(8,106)	(10,569)
Short term lease liability		(100)	(100)
Non-current liabilities			
Payable to related parties	14	(14,670)	(13,849)
Deferred tax liability	7	(2,318)	(5,763)
Long term lease liability	16	(23,740)	(23,876)
Other liabilities	16	(328)	(111)
Total liabilities		(49,262)	(54,268)
Net Assets		226,856	250,282
Equity attributable to equity holder of the parent			
Share capital	18	958	958
Share premium	19	47,667	47,667
Capital redemption reserve	20	21,448	21,448
Retained earnings	21	97,589	121,015
Capital Contribution	21	59,194	59,194
Total equity		226,856	250,282

These financial statements were approved by the board of Directors on 29 July 2021 and were signed on its behalf by:



Peter Hawthorne
Chief Executive

The Notes on pages 45 to 73 are an integral part of these financial statements.

Parent Company Statement of Changes in Equity

For the year ended 31 March 2021

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Retained Earnings & capital contributions £'000	Total Parent Equity £'000
Balance at 31 March 2019	958	47,667	21,448	209,679	279,752
Comprehensive income:					
Loss for the year	-	-	-	(11,470)	(11,470)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(11,470)	(11,470)
Dividend to parent	-	-	-	(18,000)	(18,000)
Balance at 31 March 2020	958	47,667	21,448	180,209	250,282
Balance at 31 March 2020	958	47,667	21,448	180,209	250,282
Comprehensive income:					
Loss for the year	-	-	-	(13,426)	(13,426)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(13,426)	(13,426)
Dividend to parent	-	-	-	(10,000)	(10,000)
Balance at 31 March 2021	958	47,667	21,448	156,783	226,856

The Notes on pages 45 to 73 are an integral part of these financial statements.

Parent Company Statement of Cash Flows
For the year ended 31 March 2021

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Cash flows from operating activities		
(Loss) / Profit for the year	(13,426)	(11,470)
<i>Adjustments for:</i>		
Depreciation	431	282
Change in value of investment property	55,018	22,051
Financial income	(160)	(848)
Interest expense	692	718
Spreading of lease incentives	227	103
Gain on disposal of investment property/inventory	-	(13,930)
Dividend received from Joint Venture	(2,000)	-
Distribution received from Joint Venture	(29,900)	-
Taxation	(3,445)	71
Decrease / (increase) in trade and other receivables	6,472	7,695
(Decrease) / increase in trade and other payables	(733)	(1,686)
Tax paid	(1,074)	(3,169)
Net cash generated used in operating activities	12,102	(183)
Cash flows from investing activities		
Acquisition of investment property and property, plant and equipment	(32,064)	(23,525)
Sale of investment property and inventory	-	14,133
Dividend received from Joint Venture	2,000	-
Distribution received from Joint Venture	29,900	-
Investment in associate	(634)	-
Interest received	160	848
Net cash outflow from investing activities	(638)	(8,544)
Cash flows from financing activities		
Lease payments	-	(100)
Dividend to DfT	(10,000)	(18,000)
Net cash outflow from financing activities	(10,000)	(18,100)
Increase/(Decrease) in cash and cash equivalents	1,464	(26,827)
Cash and cash equivalents at 1 April	78,604	105,431
Cash and cash equivalents at 31 March	80,068	78,604

The Notes on pages 45 to 73 are an integral part of these financial statements.

Notes to the Financial Statements

Accounting Policies

1. Reporting entity and basis of preparation

London & Continental Railways Limited (the "Company") is a private company incorporated, registered, and domiciled in the United Kingdom. The registered number is 2966054 and the registered address is included on Page 1.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"), and equity account for the Group's interest in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The parent company made a loss after tax of £13.4m in the year (2020: loss of £11.5m).

As permitted under IFRS 1, upon its transition to IFRS the Group elected to use the previous UK Generally Accepted Accounting Practice ("UKGAAP") valuation as the deemed cost for all property, plant and equipment.

Impact of standards and interpretations in issue

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

Amendments to IFRS

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the Group. The application of these new standards, amendments and interpretations are not expected to have a significant impact on the Group's income statement or balance sheet.

The following new and revised standards and interpretations have not been adopted by the group as they do not have a significant impact on the amounts reported in these financial statements:

- Amendments to IAS 1 and IAS 8 on the definition of material (effective date: periods beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (effective date: periods beginning on or after 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 – interest rate benchmark reform (effective date: periods beginning on or after 1 January 2020)

Notes to the Financial Statements

Accounting Policies – (continued)

1. Reporting entity and basis of preparation (continued)

- Amendments to IFRS 16 Leases Covid-19 Rent concessions (effective date: periods beginning on or after 1 June 2020)
- Amendments to IFRS 4 insurance contracts (effective date: periods beginning on or after 1 January 2021)
- IFRS 17 Insurance Contracts (not yet endorsed)
- Narrow scope amendments to IFRS 3, IAS 16 and IAS 37 (not yet endorsed)
- Annual improvements to IFRS 2018 - 2020 (not yet endorsed)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – interest rate benchmark reform phase 2 - (not yet endorsed).
- Amendments to IAS 1, presentation of financial statements on classification of liabilities (not yet endorsed)

1.1 Basis of measurement

The financial statements are prepared on the historical cost basis except that investment property is stated at fair value.

Covid-19 and going concern review

This going concern review begins with review of business performance since the start of the Covid-19 pandemic. LCR has weathered the storm and is emerging from the pandemic in a position of financial strength. The areas where the effects of the virus have been more pronounced are in asset valuations and tenant debt recovery at our Leake Street site where all of the tenants are in the food and beverage sector, arguably the hardest hit by the pandemic. The Anchor tenant in the Waterloo.London development will no longer be taking the letting forward due to losses suffered during the pandemic making it difficult to emerge into a period of expansion. Letting interest in the demise remains high despite the current market conditions and we are confident a replacement tenant will be secured in time for opening in 2022.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

1.1 Going concern

The impact of Covid-19 was felt in the following areas:

- Impact of the virus on the economy and market sentiment – our asset valuations have been affected by the negative movement in property market yields, mainly in the retail sector.
- Company staff operating from home – this has proved to be a great success for LCR with no downturn in activity relating to strategy delivery as a result of home working. No staff were furloughed.
- Contractors unable to continue with construction work on site – construction at Waterloo.London continued when restrictions allowed, and no delays will be suffered as a result of the pandemic;
- Managing agents unable to progress activities in respect of lettings and site management – despite a slight downturn in the initial lockdown, site management activities were quickly restored as appropriate and letting activity increased at Waterloo.London and Southern House Croydon with good levels of interest at Leake Street;
- Income reduction and potential bad debts – Arrears' collection at Leake Street remains low however we saw good activity at the other managed sites.
- Disruption to the supply chain as raw materials and construction products are not produced or imported due to workers unable to work or absent from work – construction at Waterloo.London remained on course.
- Impact of the virus on the economy and market sentiment.

In relation to income and bad debts, the Company carefully vets prospective tenants and typically obtains insurance for at least the first year of new lettings. This, together with the geographic spread of multiple sites will help mitigate against the inevitable bad debts. Preserving the employment of staff, rather than furloughing, also enables LCR to work with our managing agents as we proactively assist and support those tenants encountering difficulty in a responsible and reasonable manner during the crisis.

In assessing the going concern principle, the Directors have considered the following:

- A closing cash balance of £80.1m with no debt facility.
- LCR is not considered to be a complex company, with no overseas operations, a small range of business activities and a limited number of material debtors and creditors.
- The Group continues to be able to meet its operational requirements from its existing portfolio of assets. Property sales will occur over the next year to allow a healthy level of investment in the future strategy. The net recurring income remains sufficient to cover overheads.
- The Group continues to be able to source new business opportunities capable of delivering both short-term trading gains and longer-term development gains to replace existing projects as they are completed.
- The Group continues with its policy of maintaining a broad range of counterparties, including financial, contractor and purchaser, so as to mitigate the impact of potential counterparty failure.
- The Group continues its policy of de-risking developments by obtaining forward-funding for larger schemes and only carrying out limited on-balance sheet development.
- Construction contracts are entered into on a guaranteed maximum price basis where possible.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

1.2 *Going concern (continued)*

LCR Business Model

LCR's business model is to deliver returns through asset management, regeneration and land promotion, thereby realising rental income and reinvesting profits to transform undervalued land and assets into new places that deliver social and economic value to a wide range of stakeholders.

The key drivers in delivering the model are as follows:

- Developing a pipeline of new business opportunities through partnerships, JVs and collaborations which can deliver future profits.
- Maintaining sufficient funding to pursue new business opportunities and seek new sources of funding where appropriate.
- Successfully promoting land through securing planning permission and outline scheme proposals.
- Maintaining and growing the investment portfolio generating a sustainable income to support business activities and sustain corporate overheads.
- Maintaining a diversified portfolio of projects and locations so as to reduce property specific risk across the overall portfolio.

In light of the above, the Directors believe the company is well placed to manage its business risks successfully and the Directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of the approval of the financial statements for the year ended 31 March 2021. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the financial statements for the year ended 31 March 2021 is appropriate.

1.3 *Basis of consolidation*

The Company adopts IFRS 10, 11, and 12.

Subsidiaries

The Group's accounting policy for determining whether it has control over and consequently whether it consolidates its investees follows IFRS 10. IFRS 10 introduces a control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

Joint Arrangements – Joint Ventures

Under IFRS 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has joint control and rights to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

A Joint Venture is a joint arrangement whereby the Group has joint control and has rights to its share of the net assets of the arrangement. Joint ventures are accounted for under the equity method. The balance sheet incorporates the Group share of the net assets of the joint venture. The consolidated statement of comprehensive income incorporates the share of the joint venture's profit after tax.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50 % of the voting power of another entity. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

1.4 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

1.4 Property, plant and equipment (continued)

- | | |
|-------------------------|------------|
| • Plant and equipment | 3 years |
| • Fixtures and fittings | 5 years |
| • Right of use asset | Lease term |

Property under construction

Investment property and property assets under construction are recorded at cost and subsequently revalued at the reporting date to fair value as determined by professionally qualified external valuers on the basis of market value. No depreciation is charged on an asset under construction.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

1.5 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

The investment property portfolio is externally valued on an open market basis each year by independent valuers in accordance with the regulations set by the Royal Institution of Chartered Surveyors (RICS). The valuations are prepared by considering the value in existing use together with the value to be derived from planned developments, discounted to reflect inherent risks, and considering where appropriate net rental yields and development and other costs.

Occasionally, investment property may be valued internally by management. These valuations are undertaken through management's knowledge of the property and compared to movements in the valuation of similar assets.

Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income. Rental income from investment property is accounted for as described in the revenue accounting policy (note 1.14).

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

1.7 Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans, receivables and cash held by third parties.

Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as receivables. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

Financial assets (continued)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired, unless the asset is carried at fair value through profit or loss as fair value already reflects counterparty non-performance risk. If there is objective evidence the asset is tested for impairment.

Financial liabilities

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest method. Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted as its impact would be insignificant.

1.8. Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash collected on the Company's behalf by property managing agents has been accounted for within trade and other receivables as cash held by third parties.

1.9. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.10. Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1.11. Impairment excluding inventories, investment properties and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

1.12. Impairment excluding inventories, investment properties and deferred tax assets

Financial assets (including receivables) (continued)

Provision for impairment is calculated as a percentage of debtors outstanding over a period of 60 days which are deemed to be irrecoverable. The company undertook the review of bad debts as prescribed by IFRS 9, where a provision for impairment is recognised using matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables was assessed. This probability was then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. The method adopted by the company provided results not materially different to results achieved by applying IFRS 9 guidance and therefore the company's policy remained appropriate. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income of the parent company, when there is objective evidence that the asset is impaired.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

1.12. Employee benefits

Defined benefit pension

All the Group's employees are eligible to participate in the retirement and death benefits scheme which are provided for by payments to a section of the Railways Pension Scheme (RPS), a shared cost defined benefit scheme. Contributions to the Scheme are paid in accordance with the Scheme's rules. Contributions to the Scheme are expensed as incurred (as would be the case with a defined contribution scheme) because the assets of the shared-cost scheme cannot be separated between employers.

1.12. Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

1.13. Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation because of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.14. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Property sales

Revenue is recognised net of sales taxes and upon transfer of control to the buyer. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due or associated costs.

Rental income

Rental income from operating leases and investment properties is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

1.15. Expenses

Financing income and expenses

Financing income comprises interest receivable on funds invested and dividend income. Financing expenses comprise interest payable. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest income and interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

Administrative expenses and Cost of sales

Administrative expenses and cost of sales are accounted for on an accrual's basis.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

1.15. Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.17. Government Grants

The Group received government grants related to the refurbishment of several buildings at RTC Derby. Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been met or will be met and that the grants have been or will be received. Grants contributing to the cost of an asset are deducted from the asset's cost at recognition.

1.18. Critical Accounting Policies

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies, which are described in note 28, and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The key source of estimation and uncertainty is property valuations.

The fair value of the investment property is typically determined by an independent real estate valuation expert primarily using comparable recent market transactions on arm's length terms. Notes 9 and 28 provide further details on the judgements and assumptions made.

Notes to the Financial Statements (continued)

2. Revenue

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Property sales	17,156	9,271
Investment property rentals and sundry income	19,965	22,944
Total revenues	37,121	32,215

3. Expenses and auditor's remuneration

Included in operating results are the following:

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Depreciation and amortisation	(248)	(100)
Right of use asset depreciation	(183)	(183)
Pension costs (Note 17)	(745)	(703)
Operating leases	(429)	(556)

Auditor's remuneration:

Audit of these financial statements	67	42
Audit of financial statements of subsidiaries of the Company	26	9
	93	51

4. Staff numbers and costs

The average number of persons employed by the Group including Executive Directors (but excluding Non-Executive Directors) during the year was as follows:

	Year ended 31 March 2021	Year ended 31 March 2020
Property management and corporate	58	48

The aggregate payroll costs of these persons were as follows (Group and Company):

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Wages and salaries	3,692	4,028
Social security costs	426	485
Expenses related to defined benefit and contribution plans	744	703
Other staff costs	370	830
Total	5,232	6,046

Notes to the Financial Statements (continued)

5. Directors' remuneration

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
Directors' emoluments	338,325	366,803
Company contributions to defined benefit pension plans	26,576	21,993
Amounts paid to third party in respect of Director's services	35,000	35,000
Total	399,901	423,796

The emoluments and pension contributions of the highest paid Director are £252k. As at 31 March 2021 the remuneration of one Executive Director and three Non-Executive Directors is included in Directors' emoluments, in the prior year there was one Executive Director and four Non-Executive Directors for part of the year.

	Number of Directors 31 March 2021	31 March 2020
Retirement benefits are accrued to the following number of Directors under:		
Defined benefit schemes	1	1

As at 31 March the sum of accrued annual pension for the one Director is £27k (2020: £22k) and their accrued lump sum is £23k (2020: £20k).

6. Net Finance Income / (Expense)

Recognised in the statement of comprehensive income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Interest (charge)/income on unimpaired financial assets, comprising cash and cash equivalents	(49)	848
Less:		
Interest on lease liability	(692)	(718)
Total finance / income	(741)	130

Notes to the Financial Statements (continued)

7. Taxation

Recognised in the statement of comprehensive income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current tax		
Current year charge	983	1,077
Deferred tax	(6,299)	1,246
Total tax (credit)/charge for the year	(5,316)	2,323

Reconciliation of effective tax rate

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Loss before taxation	(55,895)	(10,875)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(10,620)	(2,066)
Effects of:		
Taxable timing differences	4,852	3,069
Non-taxable expense / (income)	219	58
Share of gains of associates and joint venture not subject to tax in LCR	233	(263)
Prior year adjustment		(307)
Change in tax rate		1,832
Total tax charge for the year	(5,316)	2,323

Deferred tax assets and liabilities – Group and Company

The deferred tax liabilities / (assets) recognised at the current reporting date, and the movement thereon during the year, are as follows:

	Investment property £'000	Tax losses £'000	Total £'000
Group			
At 1 April 2020	30,403	(13,575)	16,828
Charge / (credit) to income	(8,749)	2,450	(6,299)
At 31 March 2021	21,654	(11,125)	10,529
Company			
At 1 April 2020	19,337	(13,575)	5,762
Charge / (credit) to income	(5,894)	2,450	(3,444)
At 31 March 2021	13,443	(11,125)	2,318

Notes to the Financial Statements (continued)

7. Taxation - continued

The company has an unrecognised deferred tax asset of approximately £123m (2020: £121m), arising from significant accumulated losses which have the potential to offset future profits of the Group, which has not been recognised due to uncertainty over the timing of future loss utilisation.

The deferred tax calculations reflect a tax rate of 19% from 1 April 2020 which was substantively enacted on 17 March 2020.

8. Property, plant and equipment – Group and Company

	Plant and Equipment £'000
Cost – plant and equipment	
Balance at 31 March 2020	1,561
Additions	119
Balance as at 31 March 2021	1,680
Depreciation – plant and equipment	
At 31 March 2020	(636)
Depreciation charge for the year	(247)
Balance as at 31 March 2021	(883)
Cost - property	
Balance as at 31 March 2020	1,828
Additions - right of use asset	-
Balance as at 31 March 2021	1,828
Depreciation – property	
At 31 March 2020	(183)
Depreciation - right of use asset	(183)
Balance as at 31 March 2021	(366)
Net book value at 31 March 2021	<u>2,259</u>
Net book value as at 31 March 2020	<u>2,571</u>

Property, plant and equipment has not been subject to impairment or reversal of impairment. Property relates to the right-of-use asset ("ROU") recognised for the office lease entered by the group. The ROU Asset is measured at the present value of the lease payments and is depreciated over the life of the lease.

Notes to the Financial Statements (continued)

9. Investment property – Group

	Investment Property £'000
Balance at 31 March 2020	229,758
Additions	57,636
Impairment of right of use asset	(727)
Revaluation loss	(71,145)
Balance at 31 March 2021	<u>215,522</u>

The original Anchor tenant in the Waterloo.London development will no longer be taking the letting forward due to losses suffered during the pandemic. This has negatively impacted the valuation at Waterloo. London. Letting interest in the centre remains high despite the current market conditions and we are confident a replacement tenant will be secured in time for opening in 2022.

Most of the Group's investment property is valued at each reporting date by the Group's independent valuers Avison Young in accordance with 'The RICS Valuation- Professional Standards (2020)'. Valuations are undertaken on the basis of the market value of each site, considering where appropriate the current use and planning conditions.

The marketability and hence saleability of certain of the investments may be impacted by the HS2 rail link proposals, the valuation opinion is based on no adverse impact.

IFRS 13 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value and establishes a hierarchical disclosure framework which prioritises and ranks the level of market price observability used in measuring investments at fair value. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The Group has concluded that the investment properties should be categorised as Level 3 fair value based on the inputs to the valuation technique used.

Transfers between levels are deemed to have occurred on the date of the event or the change in circumstance that caused the transfer. There was no movement or transfer between level 1, level 2, level 3 investments during the year ended 31 March 2021 (2020: none).

Notes to the Financial Statements (continued)

9. Investment property – Group (continued)

The Group received government grants related to the improvement works at RTC Derby. Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been met or will be met and that the grants have been or will be received. Grants contributing to the cost of an asset re deducted from the asset's cost at recognition.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Redbook valuation in accordance with the 'RICS Valuation – Professional Standards (2020)	Void periods (0 to 24 months) Occupancy rate (0 to 100%) Rent-free periods (0 to 24 months) Initial yield (4 to 13%) Level of affordable housing (0 to 50%)	The estimated fair value would increase (decrease) if: Void periods were shorter (longer); The occupancy rate was higher (lower); Rent-free periods were shorter (longer); or The initial yield was lower (higher). The level of affordable housing was lower (higher).

Investment property - Company

	Investment Property £'000
Balance at 31 March 2020	135,633
Additions	31,945
Impairment of Right of Use Asset	(728)
Revaluation	(55,018)
Balance at 31 March 2021	111,832

Investment property is valued at each reporting date by the Group's independent valuers, GVA, in accordance with 'The RICS Valuation – Professional Standards (2020)'.

Valuations are undertaken on the basis of the market value of each site, considering where appropriate the current use and planning conditions.

Company investment properties are valued using the same techniques as disclosed for Group in note 9. They are all level 3 assets under IFRS 13.

Notes to the Financial Statements (continued)

Investment property – Company (continued)

The Company receives government grants related to the improvement works at RTC Derby. Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been met or will be met and that the grants have been or will be received. Grants contributing to the cost of an asset are deducted from the asset's cost and reflected in the depreciation throughout the useful life of the asset.

10. Investments in subsidiaries, associates and jointly controlled entities

The Group and Company have the following main investments in subsidiaries, associates and jointly controlled entities, which are directly and indirectly held:

	Class of shares held	Ownership 31 March 2021	31 March 2020
Group:			
Stratford City Business District Limited ¹	Ordinary	50%	50%
LCR St Pancras Chambers Ltd ²	Ordinary	100%	100%
Mayfield Partnership Ltd ²	Ordinary	33.3%	33.3%
Whittles Properties Brunel Ltd ²	Ordinary	100%	100%
Whittles Properties Croydon Ltd ²	Ordinary	100%	100%
Whittles Properties Manchester Ltd ²	Ordinary	100%	100%
RTC Regeneration 2015 Ltd ²	Ordinary	100%	100%
Mayfield Partnership (General Partner) Ltd ³	Ordinary	33.3%	33.3%
Mayfield Partnership Limited Partnership ³	Partnership	33.3%	33.3%
IQL North Limited ¹	Ordinary	100%	-

The registered offices are as follows:

¹ 20 Triton Street, Regent's Place, London NW1 3BF

² 20 Cranbourn Street, London WC2H 7AA

³ 3 Melville Street, Edinburgh, Scotland EH3 7PE

Company:

The Company's interest in the Stratford City Business District Joint Venture is held via a 100% interest in subsidiary companies LCR Stratford GP Limited and LCR Stratford LP Limited, which in turn hold 100% of LCR

Stratford Limited Partnership, which has a 50% holding in Stratford City Business District Limited and IQL Investments LLP.

All investment entities are incorporated or registered in England & Wales, apart from Mayfield Partnership (General Partnership) Ltd which is incorporated in Scotland and Mayfield Partnership Limited Partnership which is registered in Scotland.

Notes to the Financial Statements (continued)

10. Investments in subsidiaries, associates and jointly controlled entities (continued)

The Company's cost of investments is set out in note 10(b).

The Mayfield Partnership Limited Partnership was formed in December 2016 between LCR, Manchester City Council and Transport for Great Manchester. LCR and its partners have subsequently entered a further partnership with U+I, as the private sector development partner, to redevelop the Mayfield area.

10(a) Carrying value of investments in joint ventures – Group

Cost:	JV: Stratford City £'000
At 31 March 2020	63,865
Share of operating loss	(1,225)
Revenue distribution	(55,010)
Capital distribution	(5,000)
Recognition of profit on land sold	7,494
(Deferral) of profit on land sold	(350)
At 31 March 2021	<u>9,774</u>

Joint Venture: Stratford City Business District Limited (SCBDL)

SCBDL is a jointly controlled entity because the Group owns 50% of the company, and it shares equally in the strategy and decision-making of SCBDL. SCBDL's principal activity is the redevelopment of lands at Stratford, East London, as a joint venture arrangement between LCR and Lend Lease Europe Limited.

Since SCBDL's accounting reference date is 30 June 2021, LCR apportioned the results accordingly and align these with the accounting period to 31 March 2021. The LCR Group's share of total recognised profit or loss, and the aggregate assets and liabilities of SCBDL, are set out below:

Share of SCBDL results:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Share of operating (loss)/profit after tax and non-operating costs	<u>(1,225)</u>	<u>(190)</u>

Notes to the Financial Statements (continued)

10(a) Carrying value of investments in joint ventures – Group (continued)

Joint Venture: Stratford City Business District Limited (SCBDL) (continued)

Summary financial information on JV SCBDL – 100 per cent:

	31 March 2021	31 March 2020
	£'000	£'000
Revenue	52,676	48,392
(Loss)/profit from continuing operations ¹	(2,450)	(380)
Total comprehensive (Loss) / income	(2,450)	(380)

¹ - Depreciation and amortisation of £1,766,926 (2020: £1,708,841)

- Interest expense (net of interest income) of £1,608,356 (2020: £2,522,434)

	31 March 2021	31 March 2020
	£'000	£'000
Current Assets	56,483	198,569
Non-current assets	-	7,095
Current liabilities	(34,160)	(24,721)
Non-current liabilities	-	(37,193)
Net assets (including new share issues)	22,323	143,750

Included in LCR's statement of financial position at 31 March 2021 as an 'asset held for sale' at £1 is a reversionary interest in land whose title transferred to SCBDL in March 2013, but which remains subject to a restrictive charge in favour of LCR.

Sale of land parcels are recognised by LCR as and when drawn down and paid by SCBDL for use in the JV (see also note 27). SCBDL has until 2024 to exercise the draw-down and payment of part or all the land.

From a Group perspective 50% of all such profit is deferred as remaining within the Group and is recognised by the Group upon the onward sale of plots by SCBDL. The table below outlines the Group's profit recognition on sale of land parcels.

Year	Transaction	Profit from Sale of Land £'000	Recognised Profit £'000	Release of Deferred profit £'000	Deferred Profit Movement £'000
	Results to 16/17	7,966	3,983	3,561	422
17/18	Release of deferred profit	-	-	422	(422)
17/18	Sale of Land to SCBDL	3,146	1,573	-	1,573
18/19	Release of deferred profit	-	-	1,573	(1,573)
18/19	Sale of Land to SCBDL	2,519	1,259	-	(1,259)
19/20	Sale of Land to SCBDL	12,468	6,234	-	(6,234)
20/21	Release of deferred Profit	-	-	7,143	(7,143)
Total		26,099	13,049	12,699	351

Notes to the Financial Statements (continued)

10(a) Carrying value of investments in joint ventures – Group (continued)

Joint Venture: Mayfield Development Partnership L.P.

The Mayfield Development Partnership is a 50:50 joint venture arrangement between the public sector (LCR, Manchester City Council and Transport for Greater Manchester) and U+I as development partner. The principal activity is the redevelopment of lands at Mayfield, Manchester, adjacent to Piccadilly Gate Railway Station.

LCR land, with a value of £14m, was drawn down in May 2017. LCR holds a non-interest-bearing Loan note of £14m (2018: £14m) in return for the land drawn down in May, with this being recoverable from the Mayfield Development Partnership. A further contribution of £634k (2020: nil) was made to the Mayfield Development Partnership in the year.

In addition, LCR has a non-current receivable for project costs incurred of £4.2m (2020: £4m) (Group and Company) which is recoverable from the Mayfield Partnership Limited Partnership.

The public sector partners' share of the Mayfield Development Partnership's operating loss after tax and non-operating costs was £19,000 (2020: loss £13,168).

10(b) Cost of investments – Company's subsidiaries (100% ownership)

	RTC Regeneration 2015 £'000	Whittles Brunel £'000	Whittles Croydon £'000	Whittles Manchester £'000	Total Investments £'000
Balance as at 31 March 2020 and at 31 March 2021	17,65	2,353	750	9,332	30,083

The principal activity of the subsidiaries was that of investment properties.

11. Inventories – Group and Company

	31 March 2021 £'000	31 March 2020 £'000
Inventories	9	9

Notes to the Financial Statements (continued)

12. Financial Instruments by Category – Trade Receivables

	Trade and other receivables 2021 £'000	Trade and other receivables 2020 £'000
Group:		
Assets		
Assets held under amortised cost	10,448	11,468
	31 March 2021 £'000	31 March 2020 £'000
Group:		
Trade receivables	655	4,584
Cash held by third parties	8,949	4,273
Other trade receivables, prepayments, and accrued income	844	2,611
Receivables due from related parties	18,869	17,997
	29,317	29,465
Less non-current proportion of receivables	(18,869)	(17,997)
Total	10,448	11,468
	31 March 2021 £'000	31 March 2020 £'000
Group – non-current		
Receivable from related parties	18,869	17,997
	Trade and other receivables 2021 £'000	Trade and other receivables 2020 £'000
Company:		
Assets		
Assets held under amortised cost	10,115	10,117

Notes to the Financial Statements (continued)

12. Financial Instruments by Category – Trade Receivables (continued)

	31 March 2021 £'000	31 March 2020 £'000
Company:		
Trade receivables	238	4,067
Cash held by third parties	8,949	4,273
Receivables due from related parties	41,751	47,533
Other trade receivables, prepayments and accrued income	928	1,777
	<u>51,866</u>	<u>58,280</u>
Less: non-current proportion of receivables	(41,751)	(47,533)
Current receivables	<u>10,115</u>	<u>10,117</u>

The Company's non-current receivables comprise the following loans and receivables with related parties:

	31 March 2021 £'000	31 March 2020 £'000
Company – non-current		
KXC (LCR) LP Investment Limited	134	134
LCR Stratford Limited Partnership	15,131	15,131
Mayfield Partnership Limited Partnership	4,235	3,997
Mayfield Development Partnership Limited Partnership	14,634	14,000
Whittles property companies	7,617	14,270
Total	<u>41,751</u>	<u>47,532</u>

Non-current receivables include project costs of £4,235k (2020: £3,997k) (Group and Company) which are recoverable from the Mayfield Partnership Limited Partnership.

13. Financial Instruments by Category – Cash

	31 March 2021 £'000	31 March 2020 £'000
Group and Company:		
Cash and cash equivalents	<u>80,068</u>	<u>78,604</u>

Notes to the Financial Statements (continued)

14. Financial Instruments by Category – Trade Payables

	Trade and other payables 2021 £'000	Trade and other payables 2020 £'000
Group - Current		
Trade payables	(97)	411
Other payables	3,415	3,284
Corporation tax payable	582	672
Nontrade payables, accrued expenses, provisions and deferred income	10,880	11,067
Total	14,780	15,434

	31 March 2021 £'000	31 March 2020 £'000
Company - Current:		
Trade payables	(210)	272
Other trade payables	3,415	3,284
Corporation tax (receivable)	(1,390)	(316)
Non-trade payables accrued expenses and deferred income	6,291	7,960
Total	8,106	11,200

	31 March 2021 £'000	31 March 2020 £'000
Company – Non-current:		
Payables due to related parties	14,670	13,849

Fair values of financial instruments – Group and Company

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date, if the effect of discounting is considered to be material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date, if the effect of discounting is considered to be material.

Notes to the Financial Statements (continued)

14. Financial Instruments by Category (continued)

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated at its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair values of the Group's financial assets and financial liabilities are not materially different to their carrying values.

Credit Risk

Financial risk management and credit quality

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash investments.

Trade receivables at 31 March 2021 do not pose a material credit risk to the Group.

Cash in hand at 31 March 2021 £80.1m (2020: £78.6m). The cash balance is invested in highly rated listed debt securities and bank deposits. There is not considered to be a material credit risk.

Liquidity Risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk is low as the Group has an excess of cash reserves over obligations. The adequacy of the Group's funding reserve is reviewed by the Board on a regular basis. Trade and other payables are all less than one year.

Market Risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Fair values of financial instruments – Group and Company (continued)

The Group is exposed to market risk only in respect of interest rate risk on its cash reserves, which vary with market rates. No interest rate hedging is considered appropriate. The Group has no interest-bearing borrowings.

Notes to the Financial Statements (continued)

14. Financial Instruments by Category (continued)

Capital management

The capital structure of the group consists entirely of shareholder's equity, with no external borrowings.

It is not anticipated that the Group will require external borrowings for the foreseeable future, due to its cash reserves. The Group does not have a credit rating and is wholly owned by the UK Government.

15. Other non-current liabilities – Group and Company

	31 March 2021 £'000	31 March 2020 £'000
Group – Non- current:		
Deferred income	328	111
Lease liabilities under IFRS16	23,740	23,876

Deferred income represents notional interest on project costs which are recoverable from the Mayfield Partnership Limited Partnership when the Partnership earns a profit.

Lease Liabilities under IFRS16	£'000
Opening balance as at 31 March 2020	23,976
Interest charge on lease liabilities	692
Lease payments	(100)
Effect of remeasurement of lease terms	(728)
Opening Lease liability as at 1 April 2019	<u>23,840</u>
 Short term liability	 100
Long term liability	23,740

	31 March 2021 £'000
Maturity analysis of undiscounted cashflows associated with long term lease liabilities:	
Due for repayment within 1 year	451
Between 1 and 2 years	2,484
Between 2 and 5 years	2,768
In 5 years or more	48,323
Total	<u>54,026</u>

Notes to the Financial Statements (continued)

17. Employee benefits

The Group's pension arrangements are provided by a section of the Railways Pension Scheme, which all employees are eligible to join.

Railways Pension Scheme

The Group is a member of the British Rail Shared Cost section of the Railways Pension Scheme (RPS), having transferred in the assets and accrued rights relating to LCR staff and those of its former subsidiary Channel Tunnel Rail Link Limited ('CTRL') in 2011.

The Group has no reliable and consistent method to identify its share of the assets and liabilities of the defined benefit pension scheme in which it participates, and accordingly its defined benefit pension costs are accounted for on a defined contribution payment basis.

The Group's RPS contributions are charged to the statement of comprehensive income as incurred and for the year were £426k (2019: £351k). All contributions were fully paid up at 31 March 2019. The Group pays a supplementary RPS contribution of £276k (2019: £276k) as its share of the deficit reduction plan for the scheme.

18. Share capital – Group and Company

	31 March 2021 £	31 March 2020 £
3,831,983 Ordinary shares of 25 pence each	957,996	957,996

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

	31 March 2021 £'000	31 March 2020 £'000
Dividends declared to Ordinary Shareholder	10,000	18,000

During the year, the Board declared and approved a dividend payment of £10m to DfT (2020: £18m).

Notes to the Financial Statements (continued)

18. Share capital – Group and Company (continued)

19. Share premium – Group and Company

	31 March 2021 £'000	31 March 2020 £'000
At beginning and end of year	47,667	47,667

Share premium is the amount by which the fair value of the consideration received for ordinary shares exceeds the nominal value of shares issued, net of expenses.

20. Capital redemption reserve – Group and Company

	31 March 2021 £'000	31 March 2020 £'000
At beginning of and end of year	21,448	21,448

The capital redemption reserve is a statutory, non-distributable reserve into which amounts were transferred following the purchase of the company's own shares.

20. Retained earnings and capital contribution

Group:	31 March 2021 £'000	31 March 2020 £'000
At 1 April	277,849	309,049
(Loss)/Profit for year	(50,450)	(13,200)
Dividend to parent	(10,000)	(18,000)
Total	217,399	277,849

Capital introduced by parent

BRB (Residuary) Limited was abolished under the Public Bodies Act 2011 on 30 September 2013. Net assets with a fair value of £59.2m were transferred to LCR. This transaction has been treated as a capital contribution of £59.2m within the financial statements.

Notes to the Financial Statements (continued)

21. Leases – Group & Company

(a) Operating lease receipts – Group as lessor

The Group receives rental income on several office and commercial premises under non-cancellable operating lease agreements.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	31 March 2020 £'000	31 March 2020 £'000
Due to be received within 1 year	8,396	12,000
Between 1 and 2 years	7,876	8,000
Between 2 and 5 years	16,814	20,000
In 5 years or more	13,737	18,000
Total	46,823	58,000

22. Commitments and contingencies – Group and Company

Capital commitments

The Group has contracted capital commitments of £17.8m as at 31 March 2020 (2020: £36.6m).

Contingencies

The Group is from time-to-time party to or affected by legal proceedings and claims and enters into guarantees, financing arrangements and commitments which are in the ordinary course of business, including claims by residents close to HS1 for disturbance and loss of property value arising since the opening of the HS1; the obligation for such claims was transferred to the Company in 2008. It is not possible to predict with certainty the results of these claims, but the Directors, taking into account counterclaims, claims against third parties, provisions in the accounts, and having due regard to professional advice, do not anticipate that the outcome of these proceedings, claims, guarantees, financing arrangements and commitments, either individually or in aggregate, will have a materially adverse effect upon the Group's financial position.

23. Related parties – Company and Directors

In connection with LCR's contract to complete the sale of land to SCBDL at a pre-agreed price at the option of SCBDL, a profit of £7.1m was released in the year, £1.6m in the year to 31 March 2020, nil in the year to 31 March 2019 and £422k in the year to 31 March 2018. During the year LCR acquired 100% of the share capital of IQL North Limited which owns the freehold interest in land at IQL North which was transferred from SCBD Ltd.

No administrative expenses were received from the parent, associates or joint ventures.

Notes to the Financial Statements (continued)

24. *Related parties – Company and Directors – (continued)*

Non-current receivables include project costs of £4,235k (2019: £3,997k) (Group and Company) which are recoverable from the Mayfield Partnership Limited Partnership.

25. *Parent undertaking and controlling party*

At 31 March 2021 and 31 March 2020, the Company's sole shareholder was the Secretary of State for Transport (Great Minster House, 33 Horseferry Road, Westminster, London SW1P 4DR). The Secretary of State for Transport has a fixed and floating charge over all assets of the Company.

26. *Accounting estimates and judgements*

The Group's investment properties are carried at fair value, which necessarily means that estimates are used in determining the carrying value of non-current assets. Key assumptions include the expected yield from properties, anticipated rents, planning permissions, development costs and the rate of inflation; such assumptions are advised by the group's independent valuers.

Interest in land at Stratford with a cost of £1 is classified as 'asset held for sale' (note 10a) as it is highly probable that its value will be realised through the completion of future sales.

27. *Post balance sheet event*

There have been no significant subsequent events that require adjustments in this Annual Report. In providing disclosure around non-adjusting events we are seeking to provide users of the financial statements with further information to assess our financial position.