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Leconport Estates

Directors' Report and Consolidated Financial Statements

For the year ended 30 June 2022

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Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
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Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Company Information

Directors

K Wilman
D Duncan
A Stokoe

Secretary

Hermes Secretariat Limited

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Bankers

Royal Bank of Scotland
PO Box 39952
2 1/2 Devonshire Square
London
United Kingdom
EC2M 4XJ

Registered office

Sixth Floor
150 Cheapside
London
United Kingdom
EC2V 6ET

Registered number

04007123

Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Strategic Report

The directors present their strategic report for the year ended 30 June 2022. The Strategic Report has been prepared for the Group consisting of Leconport Estates ("the Company") and its subsidiary undertakings ("the Group").

Principal activities

The principal activity of the Group is property investment. The principal activity of the Company is to act as an intermediate holding company. All income received during the current and prior year relates to management and performance fees.

Review of the business

The results for the Group are set out in the Consolidated Profit and Loss Account on page 9. The turnover for the Group was £nil (2021: £nil), which generated an operating loss of £233,000 (2021: £100,000) and a loss for the financial year of £631,000 (2021: profit of £22,000).

The turnover for the Company was £nil (2021: £nil), which generated an operating loss of £8,000 (2021: £9,000) and a loss for the financial year of £5,933,000 (2021: £8,115,000).

The Balance Sheet shows that the Group has a net asset position of £97,217,000 at 30 June 2022 (2021: £103,153,000) and the Company has a net asset position of £97,236,000 at 30 June 2022 (2021: £103,169,000). The majority of the direct real estate investments held by the Group have been disposed of in previous years and the directors continue to seek to relinquish investments in subsidiaries while managing the remaining assets and continuing the management activities of the Group.

Key Performance Indicators ("KPIs")

The principal KPIs used by management are the profit for the year and the net asset value of the business as included in the review of the business above.

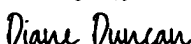
Principal risks and uncertainties

The directors consider the following to be the principal risks of both the Group and Company:

- Market risk resulting in unforeseen changes to asset values.
- Credit risk associated with debtors resulting in a potential loss to the business.
- Receivables from its immediate parent entity.
- Amounts payable to and receivable from subsidiary undertakings.

The directors do not expect the current level of activity to change in the forthcoming year.

Approved by the Board of Directors on 19 December 2022 and signed on its behalf:

DocuSigned by:

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D Duncan
Director

19 December 2022

Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Directors' Report

The directors present their report and consolidated financial statements for the year ended 30 June 2022.

Directors

The directors who served throughout the year are as stated in the Company Information.

Principal activity, review of the business and future developments

Details of the principal activity, review of the business, and risks and uncertainties can be found in the Strategic Report on page 2.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The directors have considered the cash requirements of the Group for at least twelve months from the date of approval of the financial statements. The directors have modelled a severe but plausible downside scenario in respect to the Group's cash inflows and incorporating mitigating actions such as reduction of administrative expenses on its cash outflows. The results of this forecast indicate that in this scenario the Group's cash needs are still within the available financial resources of the Group.

The BT Pension Scheme, the ultimate controlling party of the Company and Group, has indicated its intention to continue to make available such funds as are needed by the Group for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Results and dividends

The results of the Group are shown in the Strategic Report on page 2. Interim dividends totalling £5,305,000 have been paid in the year (2021: £8,137,000). The directors do not recommend payment of a final dividend (2021: £nil).

Events after the Balance Sheet date

No material transactions have taken place post the balance sheet date.

**Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Directors' Report (continued)**

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:


- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

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D Duncan
Director
Sixth Floor, 150 Cheapside, London, EC2V 6ET

Date: 19 December 2022

Leconport Estates

Directors' Report and Consolidated Financial Statements

Year ended 30 June 2022

Statement Of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the parent Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Leconport Estates

Opinion

We have audited the financial statements of Leconport Estates ("the Company") for the year ended 30 June 2022 which comprise the Consolidated Profit and Loss Account, Consolidated and Company Balance Sheet, Consolidated and Company Statements of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the director of the Group and the Company and inspection of policy documentation as to the Group and the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Independent Auditor's Report to the Members of Leconport Estates (continued)

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company has no revenue.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post-closing journals.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors of the Group and the Company and other management (as required by auditing standards), and from inspection of the Group and the Company's regulatory and legal correspondence and discussed with the directors of the Group and the Company and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group and the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: property laws and building legislation recognizing the nature of the Group and the Company's activities and their legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors of the Group and the Company and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of Leconport Estates (continued)

Matters on which we are required to report by exception

Under the terms of our engagement, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



**Craig Steven-Jennings (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

Date: 20 December 2022

Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Consolidated Profit and Loss Account

| | <u>Notes</u> | 2022 £'000 | 2021 £'000 |
|--|--------------|-----------------------------|-----------------------------|
| Administrative expenses | | (240) | (107) |
| Other income | | 7 | 7 |
| Operating loss | 2 | <u>(233)</u> | <u>(100)</u> |
| Realised (loss)/gain on disposal | | (198) | 122 |
| Exceptional items | 4 | (200) | - |
| Interest receivable and similar income | | - | - |
| (Loss)/profit on ordinary activities before tax | | <u>(631)</u> | <u>22</u> |
| Tax on profit on ordinary activities | 5 | - | - |
| (Loss)/profit for the financial year | | <u><u>(631)</u></u> | <u><u>22</u></u> |

All activities derive from continuing operations.

There are no recognised gains or losses for the current and preceding year other than those stated above. Accordingly, no separate Statement of Other Comprehensive Income has been presented.

Notes 1 to 12 form part of these financial statements.

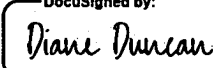
Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Consolidated Balance Sheet

| | <u>Notes</u> | 2022 £'000 | 2021 £'000 |
|--|--------------|-----------------------------|-----------------------------|
| Current assets | | | |
| Debtors | 7 | 100,359 | 106,036 |
| Cash | | 194 | 484 |
| | | <u>100,553</u> | <u>106,520</u> |
| Creditors: amounts falling due within one year | 8 | (3,336) | (3,367) |
| Net current assets | | <u>97,217</u> | <u>103,153</u> |
| Net assets | | <u>97,217</u> | <u>103,153</u> |
| Capital and reserves | | | |
| Called up share capital | 9 | 1,000 | 1,000 |
| Preference shares | 9 | 350 | 350 |
| Profit and loss account | | 95,867 | 101,803 |
| Shareholder's funds | | <u>97,217</u> | <u>103,153</u> |

Company number: 04007123

Notes 1 to 12 form part of these financial statements.

The financial statements of Leconport Estates (registered no. 04007123) were approved by the Board of Directors and authorised for issue on 19 December 2022 and signed on their behalf by:

DocuSigned by:

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D Duncan
Director

19 December 2022

Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Company Balance Sheet

| | <u>Notes</u> | 2022 £'000 | 2021 £'000 |
|---|--------------|-----------------------------|-----------------------------|
| Fixed assets | | | |
| Investment in subsidiary undertakings | 6 | <u>273,513</u> | <u>274,677</u> |
| | | <u>273,513</u> | <u>274,677</u> |
| Current assets | | | |
| Debtors | 7 | 100,011 | 100,011 |
| Cash | | <u>26</u> | <u>36</u> |
| | | 100,037 | 100,047 |
| Creditors: amounts falling due within one year | 8 | (3,179) | (3,181) |
| Net current assets | | <u>96,858</u> | <u>96,866</u> |
| Creditors: amounts falling due after more than one year | 8 | (273,135) | (268,374) |
| Net assets | | <u>97,236</u> | <u>103,169</u> |
| Capital and reserves | | | |
| Called up share capital | 9 | 1,000 | 1,000 |
| Preference shares | 9 | 350 | 350 |
| Profit and loss account | | 95,886 | 101,819 |
| Shareholder's funds | | <u>97,236</u> | <u>103,169</u> |

Company number: 04007123

Notes 1 to 12 form part of these financial statements.

The financial statements of Leconport Estates were approved by the Board of Directors and authorised for issue on 19 December 2022 and signed on their behalf by:

DocuSigned by:

Diane Duncan

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D Duncan
Director

19 December 2022

Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Consolidated and Company Statements of Changes in Equity

| Group | Called up Share Capital £'000 | Preference Shares £'000 | Profit and Loss Account £'000 | Total £'000 |
|--------------------------------|--|--|--|------------------------|
| Balance at 1 July 2020 | 1,000 | 350 | 109,918 | 111,268 |
| Total profit for the year | - | - | 22 | 22 |
| Dividends paid | - | - | (8,137) | (8,137) |
| Balance at 1 July 2021 | <u>1,000</u> | <u>350</u> | <u>101,803</u> | <u>103,153</u> |
| Total loss for the year | - | - | (631) | (631) |
| Dividends paid | - | - | (5,305) | (5,305) |
| Balance at 30 June 2022 | <u><u>1,000</u></u> | <u><u>350</u></u> | <u><u>95,867</u></u> | <u><u>97,217</u></u> |

| Company | Called up Share Capital £'000 | Preference Shares £'000 | Profit and Loss Account £'000 | Total £'000 |
|--------------------------------|--|--|--|------------------------|
| Balance at 1 July 2020 | 1,000 | 350 | 109,934 | 111,284 |
| Total profit for the year | - | - | (8,115) | (8,115) |
| Balance at 1 July 2021 | <u>1,000</u> | <u>350</u> | <u>101,819</u> | <u>103,169</u> |
| Total loss for the year | - | - | (5,933) | (5,933) |
| Balance at 30 June 2022 | <u><u>1,000</u></u> | <u><u>350</u></u> | <u><u>95,886</u></u> | <u><u>97,236</u></u> |

Notes 1 to 12 form part of these financial statements.

Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Consolidated Statement of Cash Flows

| | Notes | 2022 £'000 | 2021 £'000 |
|--|-------|-------------------|-------------------|
| Operating loss | | (233) | (100) |
| <i>Adjustments for:</i> | | | |
| Taxation paid | | - | - |
| Decrease in debtors due within one year | 7 | 5,677 | 2,461 |
| (Decrease)/increase in creditors due within one year | 8 | (31) | 67 |
| Exceptional items | 4 | (200) | - |
| Net cash inflow from operating activities | | <u>5,213</u> | <u>2,428</u> |
| Cash (outflows)/inflows from investing activities | | | |
| Disposal of subsidiary | | (198) | 122 |
| Cash outflows from financing activities | | | |
| Dividends paid | | (5,305) | (8,137) |
| Net decrease in cash and cash equivalents | | <u>(290)</u> | <u>(5,587)</u> |
| Cash and cash equivalents at beginning of year | | 484 | 6,071 |
| Cash and cash equivalents at end of year | | <u><u>194</u></u> | <u><u>484</u></u> |

Notes 1 to 12 form part of these financial statements.

**Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Notes to the Financial Statements**

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and prior year.

Basis of accounting

The financial statements have been prepared under the historical cost and are in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council.

The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 2.

The functional currency, which is also the presentation currency, of Leconport Estates ("the Company") is considered to be pounds sterling as this is the currency of the primary economic environment in which the Company operates.

Basis of consolidation

The Group consolidates the financial statements of Leconport Estates and its subsidiary undertakings drawn up to 30 June each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. All intra-group transactions, balances, income and expenses are eliminated on consolidation. A separate Profit and Loss Account for Leconport Estates has not been prepared as permitted by section 408 of the Companies Act 2006.

Going concern

The financial statement have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The directors have considered the cash requirements of the Group for at least 12 months from the date of approval of the financial statements. The directors have modelled a severe but plausible downside scenario in respect to the Group's cash inflows and incorporating mitigating actions such as reduction of administrative expenses on its cash outflows. The results of this forecast indicate that in this scenario the Group's cash needs are still within the available financial resources of the Group.

The BT Pension Scheme, the ultimate controlling party of the Company and Group, has indicated its intention to continue to make available such funds as are needed by the Group for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Investment in subsidiaries

Investments in subsidiary undertakings are held at cost less any provision for impairment.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation arises on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash and deposits

Cash and deposits includes cash at bank, cash on hand and overnight deposits.

Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Notes to the Financial Statements

1 Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Trade and other receivables are recognised initially at transaction value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. A provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are specifically identified.

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

Turnover

Turnover represents the value, net of valued added tax and discounts, of goods provided to customers and work carried out in respect of services provided to customers. The Group's policy is to recognise income when the service has substantively been provided. The Group's turnover consists solely of income generated in the United Kingdom.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the company has made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Carrying value of investments in subsidiaries

Investments in subsidiaries are carried on the balance sheet at cost less estimated provision for impairment which is reviewed annually by reference to net asset values of the subsidiaries and the effect of disposals or liquidations of subsidiary companies during the year.

2 Operating profit

Audit fees for the consolidated group of Leconport Estates and subsidiaries of £25,778 for the year ended 30 June 2022 (2021: £22,950) were borne by the Company's subsidiary undertaking, MEPC (1946) Limited.

3 Employees and directors

There was no directors' remuneration paid in the current year (2021: £nil). At the year end no retirement benefits were accrued for any directors (2021: £nil) under defined contribution schemes or under defined benefit schemes.

4 Exceptional items

During the year a balance of £200k (2021: £nil) previously recognised within debtors, 'prepayment and other debtors' for both the Group, was deemed irrecoverable and moved to the consolidated profit and loss account.

Leconport Estates
Directors' Report and Consolidated Financial Statements
Year ended 30 June 2022
Notes to the Financial Statements

5 Taxation

| | 2022 | 2021 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Analysis of tax charge in the year | | |
| Current tax: | | |
| UK corporation tax | - | - |
| Adjustment in respect of prior periods | - | - |
| Current tax charge | <u>-</u> | <u>-</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | - | - |
| Adjustment in respect of prior periods | - | - |
| Effect of tax rate charge | - | - |
| Deferred tax charge | <u>-</u> | <u>-</u> |
| Total tax charge on profit | <u><u>-</u></u> | <u><u>-</u></u> |
| Factors affecting tax charge for the year | | |
| The tax charge in the year is lower than the standard rate of corporation tax in the UK. | | |
| Profit on ordinary activities before taxation | <u>(631)</u> | <u>22</u> |
| Profit on ordinary activities multiplied by tax at the UK standard rate of 19% (2021: 19%). | (120) | 4 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 58 | - |
| Non-taxable income | - | (24) |
| Capital losses | (23) | - |
| Use of losses for which no deferred tax recognised | 85 | 20 |
| Total taxation | <u><u>-</u></u> | <u><u>-</u></u> |

Factors that may affect future tax charges:

The standard rate of corporation tax in the UK for the year ended 30 June 2021 was 19%. Following the budget announcement on 3 March 2021, the standard rate is due to increase from 19% to 25% from 1 April 2023. This increase in rate was substantively enacted on 24 May 2021 (and enacted in Finance Act 2021 which received Royal Assent on 10 June 2021), and therefore the unrecognised deferred tax assets disclosed below have been calculated at the increased rate.

At 30 June 2022 there are deferred tax assets not recognised in respect of tax losses carried forward of £30,641,000 (2021: 40,022,000) as the Company is not sufficiently certain that it will be able to recover these assets in the foreseeable future and £14,000 (2021: £18,000) in respect of capital allowances and other short term differences.

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6 Investment in subsidiary undertakings

| | Company 2022 £'000 | Company 2021 £'000 |
|--|-----------------------------------|-----------------------------------|
| Cost | | |
| Opening Balance | 739,581 | 739,581 |
| Closing Balance | <u>739,581</u> | <u>739,581</u> |
| Provision for impairment | | |
| Opening Balance | 464,904 | 461,003 |
| Provision/(reversal of provision) for impairment of investment in subsidiary | 1,164 | 3,901 |
| Closing Balance | <u>466,068</u> | <u>464,904</u> |
| Net book value | <u>273,513</u> | <u>274,677</u> |

As at 30 June 2021, the Company owned 100% of the share capital of MEPC (1946) Limited.

The subsidiary entities (all registered in England and Wales) owned by MEPC (1946) Limited are:

| | Principal activity | 2022 % Holding of ordinary shares | 2021 |
|--|-------------------------------|--|-------------|
| The London County Freehold and Leasehold Properties Limited* | Dormant | 100% | 100% |
| Hermes Asset Management Limited* | Dormant | 100% | 100% |
| The Metropolitan Railway Surplus Lands Company* | Property Investment | 100% | 100% |

*The registered office of all entities is Sixth Floor, 150 Cheapside, London, EC2V 6ET.

Provision for impairment

The Company's investment in MEPC (1946) Limited was the subject to a provision for impairment of £1,164k (2021: £3,901k) during the year. This reflects the lower net asset value of MEPC (1946) Limited during the year following the realisation and distribution of deferred consideration in relation to the sale of its subsidiary, MEPC Ltd.

7 Debtors

| | Group 2022 £'000 | Group 2021 £'000 | Company 2022 £'000 | Company 2021 £'000 |
|---|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Amounts due from Caduceus Estates Limited | 139 | 139 | - | - |
| Amounts due from BT Pension Scheme | 100,016 | 100,015 | 100,000 | 100,000 |
| VAT recoverable | 7 | - | 11 | 11 |
| Prepayments and other debtors | 208 | 5,882 | - | - |
| | <u>100,370</u> | <u>106,036</u> | <u>100,011</u> | <u>100,011</u> |

The amounts due from Caduceus Estates Limited and BT Pension Scheme of £139,000 (2021: £139,000) and £100,000,000 (2021: £100,000,000) respectively are non interest bearing and are receivable on demand.

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8 Creditors

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Amounts due to Caduceus Estates Limited | 3,169 | 3,169 | 3,169 | 3,169 |
| VAT payable | - | 6 | - | - |
| Accruals and other creditors | 171 | 192 | 10 | 12 |
| | <u>3,340</u> | <u>3,367</u> | <u>3,179</u> | <u>3,181</u> |
| <i>Amounts falling after more than one year:</i> | | | | |
| Amounts due to MEPC (1946) Limited | - | - | 273,135 | 268,374 |
| | <u>-</u> | <u>-</u> | <u>273,135</u> | <u>268,374</u> |

The amount due to Caduceus Estates Limited of £3,169,000 (2021: £3,169,000) is non-interest bearing and is payable on demand.

9 Called up share capital

| | 2022 | 2021 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Issued, called up and fully paid | | |
| 1,000,000 Ordinary shares of £1 (2021: 1,000,000) | 1,000 | 1,000 |
| 350,050 'Z' Preference shares of £1 | 350 | 350 |
| | <u>1,350</u> | <u>1,350</u> |

The 'Z' Preference shares carry no entitlement to any dividend from the profits which the Company may decide to distribute.

10 Related parties

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| The following amounts were due to Leconport Estates: | | | | |
| BT Pension Scheme, immediate and ultimate controlling party | 100,016 | 100,015 | 100,000 | 100,000 |
| Caduceus Estates Limited, parent undertaking | <u>139</u> | <u>139</u> | <u>-</u> | <u>-</u> |
| The following amounts were due from Leconport Estates: | | | | |
| Caduceus Estates Limited, parent undertaking | (3,169) | (3,169) | (3,169) | (3,169) |
| MEPC (1946) Limited, subsidiary undertaking | <u>-</u> | <u>-</u> | <u>(273,135)</u> | <u>(268,374)</u> |

The Group has taken advantage of exemptions available under FRS 102 Section 1A whereby transactions with and between wholly owned subsidiaries are not required to be disclosed.

11 Subsequent events

No material transactions have taken place post the balance sheet date.

12 Ultimate controlling party

The directors regard the BT Pension Scheme as the Company's immediate and ultimate controlling party. It is the parent of the smallest and largest groups of which the Company is a member to prepare group financial statements.

The address of the BT Pension Scheme is: One America Square, 17 Crosswall, London, EC3N 2LB, where copies of BT Pension Scheme's financial statements are available.