Registered number: 08465672

# LS ZIG ZAG LIMITED

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

# STRATEGIC REPORT
# FOR THE YEAR ENDED 31 MARCH 2021

The directors of LS Zig Zag Limited (the 'Company') present their Strategic Report with audited financial statements for the year ended 31 March 2021.

**Results for the year**

The results are set out in the Statement of Comprehensive Income on page 8.

**Review of the business**

The Company has continued its business of property investment in the United Kingdom. No changes in the Company's principal activity are anticipated in the foreseeable future.

**Key performance indicators**

The directors assess the performance of the Company by reference to the valuation surplus/deficit upon revaluation of the Company's investment properties and profit before tax.

**Principal risks and uncertainties**

The principal risk facing the Company is that poor performance of the investment properties might have a material impact on the asset valuation and rental income in the financial statements. The Company's performance during the year indicates a satisfactory performance of the investment properties held, considering the ongoing impact of the Covid-19 pandemic. Looking forward, the directors will continue to closely monitor the impact of the Covid-19 pandemic and other changes in the operating environment on the performance of the investment properties.

**Financial risk management**

The Company is exposed to liquidity risk, credit risk and interest rate risk. Given the absence of external borrowings in the Company, liquidity risk and interest rate risk are not considered material. While the Company has minimal short-term liquidity requirements, any funding requirements could be covered by committed facilities held by other Group companies.

The Company's principal financial assets are trade and other receivables and therefore the credit risk it faces is primarily attributable to its trade receivables. Trade receivables are presented in the Balance Sheet net of allowances for doubtful receivables. The Company assesses on a forward-looking basis, the expected credit-losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit-losses of trade receivables, the Company takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements, likely deferrals of payments due, rent concessions and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis. While the balance remains low relative to the scale of the Balance Sheet and, owing to the long-term nature and diversity of the Company's tenancy arrangements, the credit risk of trade receivables is usually considered to be low. This risk increased at 31 March 2020 following reduced rent collections as a result of Covid-19, and remains elevated at 31 March 2021 as a result of a continuation in these trends throughout the year. To limit the Company's exposure to credit risk on trade receivables, a credit report is obtained from an independent rating agency prior to the inception of a lease with a new counterparty. This report is used to determine the size of the deposit that is required, if any, from the tenant at inception. In general, these deposits represent between three and six months' rent.

There is no material difference between the book value and the fair value of the financial instruments.

Further discussion of these risks and uncertainties, in the context of Land Securities Group PLC and its subsidiaries (the 'Group') as a whole, is provided in the Group's Annual Report, which does not form part of this report.

**Section 172(1) statement**

The Company's ultimate parent company is Land Securities Group PLC which indirectly holds 100% of the ordinary share capital of the Company (refer note 15). The Company's framework in respect of requirements under section 172(1) of the Companies Act is applied through the Land Securities Group's processes and policies, which place stakeholders at the forefront of the Directors' decision making. Details of the Group's framework with respect to interests of customers, communities, employees, partners, suppliers and investors can be found in the consolidated financial statements of Land Securities Group PLC for the year ended 31 March 2021, available on the Group's website, www.landsec.com.

At a Company level, the Directors take the interests of stakeholders, namely the Company's tenants, the Group as the Company's investor and the community in which the Company operates, into account when making relevant decisions, ensuring regular and clear lines of communication between the Company, its tenants and the Group. The relevance of each stakeholder group may increase or decrease by reference to the issue in question, so the Directors seek to understand the needs and priorities of each group during its discussions. This, together with the combination of the consideration of long-term consequences of decisions and the maintenance of the Group's reputation for high standards of business conduct, is integral to the way the Directors operate. The Company Secretary plays a key role in ensuring that stakeholders' interests are fully considered and addressed during the course of the Directors' discussions.

**LS ZIG ZAG LIMITED**

**STRATEGIC REPORT (CONTINUED)**
**FOR THE YEAR ENDED 31 MARCH 2021**

Registered Office
100 Victoria Street
London
SW1E 5JL

This report was approved by the Board and signed on its behalf.

E Miles, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 19 August 2021

Registered and domiciled in England and Wales
Registered number: 08465672

# DIRECTORS' REPORT
# FOR THE YEAR ENDED 31 MARCH 2021

The directors of LS Zig Zag Limited (the 'Company') present their report and the audited financial statements for the year ended 31 March 2021.

**Directors' responsibilities statement**

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

**Directors' engagement statement**

Details of how Directors have engaged with key stakeholders of the Company have been disclosed in the Section 172(1) statement in the Strategic Report.

**Principal activity**

The Company has continued its business of property investment in the United Kingdom. No changes in the Company's principal activity are anticipated in the foreseeable future.

**Going concern**

The Directors have determined that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Land Securities Group PLC. The Directors' going concern assessment covers the period to 31 August 2022 and confirmation has been received that Land Securities Group PLC will support the Company until at least this date. It is understood that this support will remain in place until revoked and there is no expectation this will occur in the foreseeable future. The Company's ability to meet its future liabilities is therefore dependent on the financial performance, position and liquidity of the Group as a whole. At a Group level, considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Following the deterioration in cash collections over the year ended 31 March 2021 as a result of Covid-19, further stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for the period to 31 August 2022. This stress testing modelled a scenario with materially reduced levels of cash receipts over the next 12 months. Based on these considerations, together with available market information and the Directors' knowledge and experience of the Company, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2021.

**Dividend**

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The directors do not recommend the payment of a dividend for the year ended 31 March 2021 (2020: £Nil).

**Directors**

The directors who held office during the year and up to the date of this report were:

Land Securities Management Services Limited
LS Director Limited
E Miles

**Indemnity**

The Company has made qualifying third-party indemnity provisions for the benefit of the respective directors which were in place throughout the year and which remain in place at the date of this report.

**Financial risk management**

The financial risk management objectives and policies are disclosed in the Strategic Report.

# DIRECTORS' REPORT (CONTINUED)
# FOR THE YEAR ENDED 31 MARCH 2021

**Statement of disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Registered Office
100 Victoria Street
London
SW1E 5JL

This report was approved by the Board and signed on its behalf.

E Miles, for and on behalf of LS Company Secretaries Limited
Company Secretary

Date: 19 August 2021

Registered and domiciled in England and Wales
Registered number: 08465672

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LS ZIG ZAG LIMITED

**Opinion**

We have audited the financial statements of LS Zig Zag Limited (the 'Company') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

**Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern through the period to 31 August 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 LS ZIG ZAG LIMITED (CONTINUED)

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax regulations in the United Kingdom, including the UK REIT regulations.
- We understood how the Company is complying with those frameworks through enquiry with the Company and by identifying the Company's policies and procedures regarding compliance with laws and regulations. We also identified those members of the Company who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by reviewing the Land Securities Group risk register and through enquiry with the Company's Management during the planning and execution phases of the audit. Where the risk was considered to be higher we performed audit procedures to address each identified fraud risk, specifically the risk over valuation of investment properties and revenue recognition, including the timing of the revenue recognition and treatment of lease incentives.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
    - Enquiry of Management, and when appropriate, those charged with governance of the Company, regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
    - Reading minutes of the meetings of those charged with governance;
    - Obtaining and reading correspondence from legal and regulatory bodies, including HMRC; and
    - Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding the business.
- In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with all applicable reporting requirements.

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

**Use of our report**

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

Claire Johnson (Senior statutory auditor)

For and on behalf of
Ernst & Young LLP, Statutory Auditor

London

Date: 19 August 2021

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021 £000 | 2020 £000 |
|---|---|---|---|
| Revenue | 4 | **17,354** | 17,645 |
| Costs | 4 | **(4,513)** | (3,456) |
| **Gross profit** | | **12,841** | 14,189 |
| Property management and administrative expenses | 5 | **(1,566)** | (1,480) |
| Net (deficit)/gain on revaluation of investment properties | 8 | **(20,509)** | 1,923 |
| **Operating (loss)/profit** | | **(9,234)** | 14,632 |
| Interest expense | 6 | **(3,393)** | (6,417) |
| **(Loss)/profit before tax** | | **(12,627)** | 8,215 |
| Taxation | 7 | **-** | - |
| **(Loss)/profit and total comprehensive (loss)/income for the financial year** | | **(12,627)** | 8,215 |

There were no recognised gains and losses for 2021 or 2020 other than those included in the Statement of Comprehensive Income.

All amounts are derived from continuing activities.

**LS ZIG ZAG LIMITED**
**REGISTERED NUMBER: 08465672**

## BALANCE SHEET
## AS AT 31 MARCH 2021

| | Notes | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 8 | **324,101** | 344,874 |
| | | **324,101** | 344,874 |
| **Current assets** | | | |
| Trade and other receivables | 9 | **22,996** | 25,684 |
| | | **22,996** | 25,684 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **(5,647)** | (6,528) |
| Amounts owed to Group undertakings | 11 | **(40,950)** | (150,903) |
| | | **(46,597)** | (157,431) |
| **Non-current liabilities** | | | |
| Trade and other payables | 10,12 | **(40)** | (40) |
| | | **(40)** | (40) |
| **Net assets** | | **300,460** | 213,087 |
| **Capital and reserves** | | | |
| Share capital | 13 | **140,000** | 40,000 |
| Retained earnings | | **160,460** | 173,087 |
| **Total equity** | | **300,460** | 213,087 |

The financial statements on pages 8 to 19 were approved by the Board of Directors and were signed on its behalf by:

J Gillard, for and on behalf of LS Director Limited

Date: 19 August 2021

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2021

| | Share capital £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|
| **At 1 April 2019** | **40,000** | **164,872** | **204,872** |
| Total comprehensive income for the financial year | - | 8,215 | 8,215 |
| **At 31 March 2020** | **40,000** | **173,087** | **213,087** |
| Total comprehensive loss for the financial year | - | (12,627) | (12,627) |
| Shares issued during the year | 100,000 | - | 100,000 |
| **At 31 March 2021** | **140,000** | **160,460** | **300,460** |





## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2021

**1. Accounting policies**

**1.1 Basis of preparation**

The financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties.

LS Zig Zag Limited (the 'Company') is a private company limited by shares and is incorporated, domiciled and registered in England and Wales (Registered number: 08465672). The nature of the Company's operations is set out in the Strategic Report on page 1. The results of the Company are included in the consolidated financial statements of Land Securities Group PLC which are available from the Company's registered office at 100 Victoria Street, London, SW1E 5JL.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2021. The financial statements are prepared in Pounds Sterling (£) and are rounded to the nearest thousand pounds (£000).

**1.2 Financial reporting standard 101 - reduced disclosure exemptions**

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The equivalent disclosures relating to IFRS 7, IFRS 13 & IAS 36 are included in the consolidated financial statements of Land Securities Group PLC, in which the entity is consolidated.

**1.3 Investment properties**

Investment properties are properties, either owned or leased by the Company, that are held either to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost including related transaction costs, and subsequently at fair value. Fair value is based on market value, as determined by a professional external valuer at each reporting date. The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the Statement of Comprehensive Income as a valuation surplus or deficit. Investment properties are presented on the Balance Sheet within non-current assets.

Properties are treated as acquired when the Company assumes control of the property. Capital expenditure on properties consists of costs of a capital nature, including costs associated with developments and refurbishments. Where a property is being developed or undergoing major refurbishment, interest costs associated with direct expenditure on the property are capitalised. The interest capitalised is calculated using the Company's weighted average cost of borrowings. Interest is capitalised from the commencement of the development work until the date of practical completion. Certain internal staff and associated costs directly attributable to the management of major schemes are also capitalised. The total staff and associated costs are capitalised based on the proportion of time spent on the relevant scheme. Internal staff costs are capitalised from the date it is determined to be probable that the development will progress until the date of practical completion.

When the Company begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be held as an investment property. When the Company begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the Statement of Comprehensive Income. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Properties are treated as disposed when control of the property is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Company continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion.

The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the accounting period plus capital expenditure to the date of disposal. The profit on disposal of investment properties is presented separately on the face of the Statement of Comprehensive Income.

**LS ZIG ZAG LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

**1. Accounting policies (continued)**

**1.4 Trade and other receivables**

Trade and other receivables are recognised initially at fair value, subsequently at amortised cost and, where relevant, adjusted for the time value of money. The Company assesses on a forward-looking basis, the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. If collection is expected in more than one year, the balance is presented within non-current assets.

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

Trade and other receivables are written off once all avenues to recover the balances are exhausted and the lease has ended. Receivables written off are no longer subject to any enforcement activity.

**1.5 Provisions**

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

**1.6 Going concern**

The Directors have determined that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Land Securities Group PLC. The Directors' going concern assessment covers the period to 31 August 2022 and confirmation has been received that Land Securities Group PLC will support the Company until at least this date. It is understood that this support will remain in place until revoked and there is no expectation this will occur in the foreseeable future. The Company's ability to meet its future liabilities is therefore dependent on the financial performance, position and liquidity of the Group as a whole. At a Group level, considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Following the deterioration in cash collections over the year ended 31 March 2021 as a result of Covid-19, further stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for the period to 31 August 2022. This stress testing modelled a scenario with materially reduced levels of cash receipts over the next 12 months. Based on these considerations, together with available market information and the Directors' knowledge and experience of the Company, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2021.

**1.7 Revenue**

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

The Company's revenue from contracts with customers, as defined in IFRS 15 includes service charge income and other property related income.

Service charge income and management fees are recorded as income over time in the year in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Company. The actual service provided during each reporting period is determined using cost incurred as the input method.

Other property related income includes development and asset management fees. These fees are recognised over time, using time elapsed as the input method which measures the benefit simultaneously received and consumed by the customer, over the period the development or asset management services are provided.

**1.8 Expenses**

Property and contract expenditure is expensed as incurred.

Minimum lease payments on leases accounted for under IAS 40 are apportioned between finance expense and reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability.

**1. Accounting policies (continued)**

**1.9 Income taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the Balance Sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised, or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

**1.10 Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

**Company is lessee**

The Company recognises an equal and opposite right of use asset and lease liability at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are capitalised within the Company's investment property balance and measured at fair value subsequent to initial recognition.

Lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses as incurred. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments with an equal and opposite adjustment recognised in the right of use asset, to the extent that this does not reduce the right of use asset below a nil value.

**Company is lessor**

Operating lease – properties leased out to tenants under operating leases are included in investment properties in the Balance Sheet.

Lease income is recognised over the period of the lease, reflecting a constant rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within operating leases.

### 1.11 Intercompany loans

**Amounts owed to Group undertakings**

Amounts owed to Group undertakings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, amounts owed to Group undertakings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the Statement of Comprehensive Income over the period of the loan, using the effective interest method.

### 1.12 Trade and other payables

Trade and other payables with no stated interest rate and payable within one year are recorded at transaction price. Trade and other payables after one year are discounted based on the amortised cost method using the effective interest rate.

### 1.13 Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

**2. Changes in accounting policies and standards**

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. There have been no new accounting standards, amendments or interpretations during the year that have a material impact on the financial statements of the Company.

**Amendments to accounting standards**

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the Company, none of which are expected to have a material impact on the financial statements of the Company.

**3. Significant accounting judgements and estimates**

The Company's significant accounting policies are stated in note 1 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements. These estimates involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

**Estimates**

**(a) Investment property valuation**

The Company uses the valuation performed by its external valuer, CBRE Limited, as the fair value of its investment properties.

The valuation of investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Company places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. The assumptions upon which CBRE Limited has based its valuation of the Company's properties as at 31 March 2021 include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK 2014 (revised April 2015). However, if any assumptions made by the external valuer prove to be inaccurate this may mean that the value of the Company's properties differs from their valuation, which could have a material effect on the Company's financial condition.

The Valuer's report for the year ended 31 March 2020 contained a 'material uncertainty' clause due to the disruption to the market at that date caused by Covid-19. The inclusion of this clause indicated that there was substantially more uncertainty than normal and therefore a higher likelihood that the assumptions upon which the external valuer had based its valuations prove to be inaccurate. Refer to note 8 for further details on the valuation as at year end.

**(b) Trade and other receivables**

The Company is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this by assessing on a forward-looking basis, the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses, the Company takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements, likely deferrals of payments due, rent concessions and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis.

The Company's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments, in particular, the assessment of expected insolvency filings or company voluntary arrangements, likely deferrals of payments due and rent concessions. As a result, the value of the provisions for impairment of the Company's trade receivables are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2021

### 4. Revenue

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Rental income (excluding lease incentives) | **16,899** | 16,659 |
| Adjustment for lease incentives | **(2,337)** | (2,026) |
| **Rental income** | **14,562** | 14,633 |
| Service charge income | **2,558** | 2,788 |
| Other property related income | **234** | 224 |
| | **17,354** | 17,645 |
| **Costs** | | |
| Other direct property or contract expenditure | **(4,513)** | (3,456) |
| **Gross profit** | **12,841** | 14,189 |

Other direct property or contract expenditure are costs incurred in the direct maintenance and upkeep of investment properties. Void costs, which include costs relating to empty properties pending redevelopment and refurbishment, costs of investigating potential development schemes which do not proceed, and costs in respect of housekeepers and outside staff directly responsible for property services, are also included.

### 5. Property management and administrative expenses

Property management and administrative expenses consist of all costs of managing the property, together with the costs of rent reviews and renewals, re-lettings of the property and management services as explained in note (a) below. No staff costs or overheads are capitalised.

**(a) Management services**

The Company had no employees during the year (2020: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, a fellow subsidiary undertaking, charges for which amount to **£1,566,000** (2020: £1,480,000).

**(b) Directors' remuneration**

The Group directors' emoluments are borne by Land Securities Properties Limited. The directors of the Company, who are key management personnel of the Company, received no emoluments from Land Securities Properties Limited for their services to the Company (2020: £Nil).

**(c) Auditor remuneration**

The Group auditor's remuneration is borne by Land Securities Properties Limited. The proportion of the remuneration which relates to the Company amounts to **£ 2,630** (2020: £1,700). No non-audit services were provided to the Company during the year (2020: None).

### 6. Interest expense

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Interest on amounts owed to Group undertakings | **3,393** | 6,417 |
| **Total interest expense** | **3,393** | 6,417 |

# LS ZIG ZAG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2021

### 7. Income tax

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Income tax on (loss)/profit for the year | **-** | - |
| **Total income tax on (loss)/profit in the Statement of Comprehensive Income** | **-** | - |

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| (Loss)/profit before tax | **(12,627)** | 8,215 |
| (Loss)/profit before tax multiplied by UK corporation tax rate | **(2,399)** | 1,561 |
| **Effects of:** | | |
| Exempt property rental profits in the year | **(1,498)** | (1,196) |
| Exempt property revaluation (gains)/deficit in the year | **3,897** | (365) |
| **Total tax charge for the year** | **-** | - |

Land Securities Group PLC is a Real Estate Investment Trust (REIT). As a result the Company does not pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Company continue to be subject to corporation tax as normal.

### 8. Investment properties

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Net book value at the beginning of the year | **344,874** | 342,852 |
| Capital expenditure | **(264)** | 99 |
| Gain/(deficit) on revaluation of investment properties | **(20,509)** | 1,923 |
| **Net book value at 31 March** | **324,101** | 344,874 |

The historical cost of the investment properties is **£188,550,000** (2020: £188,814,000). The difference between the carrying amount and historical cost is a surplus of **£135,551,000** (2020: £156,060,000). The market value has been adjusted for tenant lease incentives for an amount of **£22,599,000** (2020: £25,126,000). The valuations are prepared by CBRE Limited, external valuers, in accordance with RICS valuation standards.

At 31 March 2021 the cumulative interest capitalised in relation to investment properties under development amounts to **£6,532,000** (2020: £6,532,000).

The above investment properties act as security against listed debt recognised within a fellow Land Securities Group PLC subsidiary.

## 9. Trade and other receivables

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Trade receivables | **1,242** | 496 |
| Less: allowance for doubtful accounts | **(1,095)** | (135) |
| **Total trade receivables** | **147** | 361 |
| Other receivables | **78** | 98 |
| Tenant lease incentives | **22,599** | 25,126 |
| Prepayments | **172** | 99 |
| **Total trade and other receivables** | **22,996** | 25,684 |

## 10. Trade and other payables

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Capital payables | **430** | 441 |
| Accruals | **408** | 884 |
| Deferred income | **3,926** | 4,305 |
| Social security and other taxes | **883** | 898 |
| **Total current trade and other payables** | **5,647** | 6,528 |
| Non-current trade and other payables (note 12) | **40** | 40 |
| **Total trade and other payables** | **5,687** | 6,568 |

Capital payables represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year-end or for work completed on investment properties but not paid for at the year-end. Deferred income principally relates to rents received in advance.

## 11. Amounts owed to Group undertakings

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Amounts owed to Group undertakings - fellow subsidiary | **40,950** | 150,903 |
| **Total amounts owed to Group undertakings** | **40,950** | 150,903 |

The unsecured amounts owed to Group undertakings are repayable on demand with no fixed repayment date. Interest is charged at **3.6%** per annum (2020: 4.1%).

**12. Obligation under head leases**



**Future minimum lease payments for:**

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Not later than one year | **2** | 2 |
| Later than one year but not more than five years | **6** | 6 |
| More than five years | **1,976** | 1,978 |
| | **1,984** | 1,986 |
| Future finance charges on head leases | **(1,944)** | (1,946) |
| **Present value of head lease liabilities** | **40** | 40 |

**The present value of minimum lease payments is analysed as follows:**

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Not later than one year | **-** | - |
| Later than one year but not more than five years | **-** | - |
| More than five years | **40** | 40 |
| | **40** | 40 |

The Company has entered into leases on its property portfolio. The commercial property leases have lease terms of 999 years.

The fair value of the Company's lease obligations, using a discount rate of **2.1%** (2020: 1.8%) is **£98,000** (2020: £114,000).

**13. Share capital**

| | Authorised and issued | | Allotted and fully paid | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Number** | Number | **£000** | £000 |
| Ordinary shares of £1.00 each | **140,000,000** | 40,000,000 | **140,000** | 40,000 |
| | **140,000,000** | 40,000,000 | **140,000** | 40,000 |

During the year, the issued share capital of the Company was increased by the creation of 100,000,000 further ordinary shares of £1 each, fully paid at par. The new shares carry the same rights as the existing issued share capital.

**14. Operating lease arrangements**



The Company earns rental income by leasing its investment properties to tenants under non-cancellable operating leases.

At 31 March, the Company had contracted with tenants to receive the following future minimum lease payments:

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Not later than one year | **16,944** | 17,132 |
| Later than one year but not more than two years | **16,929** | 17,417 |
| Later than two years but not more than three years | **16,312** | 17,463 |
| Later than three years but not more than four years | **16,272** | 16,822 |
| Later than four years but not more than five years | **16,988** | 16,799 |
| More than five years | **89,360** | 106,466 |
| | **172,805** | 192,099 |

**15. Parent company**

The immediate parent company is LS London Holdings One Limited.

The ultimate parent company and controlling party at 31 March 2021 was Land Securities Group PLC, which is registered in England and Wales. This is the largest parent company of the Group to consolidate these financial statements.

Consolidated financial statements for the year ended 31 March 2021 for Land Securities Group PLC can be obtained from the Company Secretary at the registered office of the ultimate parent company, 100 Victoria Street, London, SW1E 5JL and from the Group’s website at www.landsec.com. This is the largest and smallest Group to include these accounts in its consolidated financial statements.