

**Company Registration No: 03829939**

**PROXIMA GR PROPERTIES LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**



**PROXIMA GR PROPERTIES LIMITED**

**DIRECTORS AND OFFICERS**

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**DIRECTORS**

P A Hallam  
W K Procter  
C C McGill

**SECRETARY**

D T Lau

**REGISTERED OFFICE**

Berkeley House  
304 Regents Park Road  
London  
N3 2JX

**AUDITOR**

BDO LLP  
Arcadia House  
Maritime Walk  
Ocean Village  
Southampton  
SO14 3TL

## **PROXIMA GR PROPERTIES LIMITED**

### **STRATEGIC REPORT**

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#### **Strategic report**

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

#### **Principal activities and review of the business**

The principal activity of the company during the year was that of property investment.

##### *Overview*

The directors are satisfied with the financial position of the company at the year end and look forward to the year ahead with confidence having regard to the matters discussed in the accounting policies starting on page 13.

The directors do not expect there to be significant future developments which could adversely impact the business however notice should be taken of the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 1.10.

The directors do not recommend the payment of a dividend for the current year and no dividend was paid in the prior year.

##### *Key Performance Indicators of the Company's Strategic Performance*

The company's performance is measured primarily by the level of operating profit after adjusting for unrealised gains or losses arising from movements in the valuation of the company's investment properties.

The main element of the company's turnover is ground rent. This has increased by 3.2% in the year from £12.94m in 2018 to £13.35m in 2019 as shown in note 2. The increase can be attributed to rental uplifts made across various developments within the ground rent portfolio. The company is committed to fulfilling its obligations as landlord and is focused on ensuring ground rent is reviewed in accordance with the lease agreements.

The company's operating profit for the year after adjusting for unrealised profits arising from an increase in the valuation of investment properties was £20.37m (2018: £12.37m).

##### *Financial Review*

Rental arrears are an important measure of the performance of the company's agent. Rental arrears decreased year on year. At the year end arrears were £594k, in comparison to £658k at the end of 2018.

The other income streams, including transfer and administration fees, have performed strongly.

Lease extension premiums which are a major income stream have remained at a high level with income increasing from £1.92m in 2018 to £2.55m in 2019. The company expects its agent to effectively represent and negotiate the lease extension and property sale process to minimise any potential loss. The company has experienced a similar number of enquiries in taking up lease extension opportunities and expects this income stream to continue to perform well.

The company also received lease variation income of £1.03m for the year (2018: nil) in relation to an arrangement with a third party property manager for the sub-letting of certain properties.

## PROXIMA GR PROPERTIES LIMITED

### STRATEGIC REPORT (continued)

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#### Strategic report (continued)

##### *Risk Analysis*

Exposure to non-payment of ground rent, or 'tenant credit risk', is not considered a significant risk on the grounds that rental income consists of a very high volume of individually immaterial amounts, and that, ultimately, non-payment of ground rent means that full ownership of the property would, as a last resort, revert to the group as freehold or long leasehold owner.

The Freehold and leasehold investment properties have been valued at fair value in accordance with FRS 102 'Accounting for Investment properties'.

The market value of the investment properties is calculated by discounting the forecast long term cash flows generated by the investment properties. These cash flows are risk adjusted, by the actuaries that perform the valuation and then a risk-free discount rate is applied to calculate the present day value of the future cash flows. The UK Gilt rate is conventionally accepted as the risk-free rate. The company's valuation of its investment property portfolio is very sensitive to changes in the discount rate. The valuation of the properties will decrease if Gilt rates increase and vice versa. This sensitivity is set out in note 8. However, market value risk in the short term is not considered a significant risk as there are no loan to value covenants within the current loan arrangements.

##### *Investment Properties*

The investment properties included in the financial statements at a value of £2.47bn (2018: £2.20bn) were valued by a leading firm of financial and actuarial consultants as at 6 October 2015. The directors have reviewed the actuarial valuation as at 6 October 2015 and based on market changes in the intervening period have determined the valuation as at 31 December 2019. This has given rise to a revaluation gain in the year of £278.59m (2018: loss £123.55m). The valuation gain was driven by a number of factors most notably the discount rate, RPI inflation and property inflation. The valuation is sensitive to changes to each of these factors.

##### *Prospects*

The group is confident that the long term future housing market will enable income streams within the business to increase in the forthcoming years.

##### *Public pledge for leaseholders*

In June 2019 a number of residential real estate developers and freeholders, of which the company was a party, signed a government-backed public pledge in relation to leaseholders. This pledge is a crucial step towards positive change in the residential leasehold market and reflects our commitment to promoting good practice. The company's appointed agent, Estates & Management Limited, a company related by virtue of common control and directors, also signed this pledge.

The pledge sets out a number of principles which will assist existing and future leaseholders in ensuring the leasehold system is as fair and transparent as possible. It also includes undertakings to work with other freeholders and stakeholders to develop a comprehensive Code of Practice which establishes the responsibilities of freeholders and enshrines the highest standards for the management and maintenance of properties.

**PROXIMA GR PROPERTIES LIMITED**

**STRATEGIC REPORT (continued)**

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**Financial risk management**

*Cash flow risk*

The company's policy on funding capacity is to ensure that it has sufficient long-term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements.

*Going concern*

Strategic matters are reviewed by the Board of Directors.

The Directors have prepared detailed projections for a period of at least 12 months from the date of signing the accounts, and notwithstanding an expected reduction in ancillary income in the company for the remainder of 2020 and 2021, these show that the company is expected to be able to meet all its liabilities as they fall due despite the outbreak of Covid-19. Further details are given in note 1.3.

The directors are confident the company will continue as a going concern for the foreseeable future and meet all of its liabilities as they fall due.

Approved by the Board of Directors and signed on behalf of the Board:



**P A Hallam**  
Director

Date 26 6 2020

## **PROXIMA GR PROPERTIES LIMITED**

### **DIRECTORS' REPORT**

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The directors present their report together with the audited financial statements for the year ended 31 December 2019.

#### **Directors**

The following directors have held office during the year:

P A Hallam (appointed 10 July 2019)  
W K Procter  
C C McGill

#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

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

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

#### **Statement as to disclosure of information to auditor**

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

#### **Insurance of company officers**

The company has maintained insurance throughout the year for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the company.

**PROXIMA GR PROPERTIES LIMITED**

**DIRECTORS' REPORT (continued)**

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**Auditor**


The auditor, BDO LLP, Chartered Accountants, has indicated its willingness to continue in office.

**Strategic Report**

The review of the business, future developments, other risks & uncertainties, financial risk management and KPI analysis are included in the Strategic Report on pages 2 to 4.

This Directors' Report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved by the Board of Directors.

On behalf of the Board:



**P A Hallam**  
Director

Date 26 6 2020

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF PROXIMA GR PROPERTIES LIMITED**

### **Opinion**

We have audited the financial statements of Proxima GR Properties Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit 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. 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF PROXIMA GR PROPERTIES LIMITED (CONTINUED)**

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

### **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 and 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 Statement of Directors Responsibilities, 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.

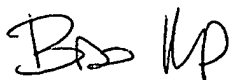
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF PROXIMA GR PROPERTIES LIMITED  
(CONTINUED)**

**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.



Kim Hayward (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Southampton, UK

Date            26 June 2020

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

**PROXIMA GR PROPERTIES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Notes</b>	<b>2019 £000's</b>	<b>2018 £000's</b>
<b>Turnover</b>	2	23,387	20,034
Administrative expenses		(2,493)	(2,435)
Loss on sale of investment property		(523)	(5,228)
Fair value gain/(loss) on investment property	8	278,594	(123,552)
<b>Operating profit/(loss)</b>		<u>298,965</u>	<u>(111,181)</u>
Interest payable and similar charges	3	(9,010)	(8,801)
<b>Profit/(loss) before taxation</b>	4	<u>289,955</u>	<u>(119,982)</u>
Taxation	6	(47,565)	20,934
<b>Profit/(loss) and total comprehensive income/(loss) for the year</b>		<u><u>242,390</u></u>	<u><u>(99,048)</u></u>

**PROXIMA GR PROPERTIES LIMITED****STATEMENT OF FINANCIAL POSITION (Company Registration Number: 03829939)****AT 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 £000's</b>	<b>2018 £000's</b>
<b>Fixed assets</b>			
Investments	7	518	518
Investment properties	8	2,474,732	2,198,299
		<u>2,475,250</u>	<u>2,198,817</u>
<b>Current assets</b>			
Debtors	9	915	706
<b>Creditors: amounts falling due within one year</b>	10	(2,935)	(3,010)
		<u>(2,020)</u>	<u>(2,304)</u>
<b>Net current liabilities</b>			
<b>Total assets less current liabilities</b>		2,473,230	2,196,513
<b>Creditors: amounts falling due after more than one year</b>	11	(262,477)	(277,297)
<b>Provisions for liabilities</b>	12	(264,777)	(215,630)
		<u></u>	<u></u>
<b>Net assets</b>		1,945,976	1,703,586
		<u></u>	<u></u>
<b>Capital and reserves</b>			
Called up share capital	13	38,000	38,000
Profit and loss account		1,312,460	1,070,070
Capital reserve		595,516	595,516
		<u></u>	<u></u>
<b>Total equity</b>		1,945,976	1,703,586
		<u></u>	<u></u>

The financial statements on pages 10 to 24 were approved by the board of directors and authorised for issue on 26.6.2020 and are signed on its behalf by:



**P A Hallam**  
Director

**PROXIMA GR PROPERTIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Share capital £000's</b>	<b>Profit and loss account £000's</b>	<b>Capital reserve £000's</b>	<b>Total £000's</b>
<b>Balance at 1 January 2018</b>	38,000	1,169,118	595,516	1,802,634
Loss for the year	-	(99,048)	-	(99,048)
<b>At 31 December 2018</b>	38,000	1,070,070	595,516	1,703,586
Profit for the year	-	242,390	-	242,390
<b>At 31 December 2019</b>	38,000	1,312,460	595,516	1,945,976

**PROXIMA GR PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1 Accounting policies**

**Company information**

Proxima GR Properties Limited ("the company") is a private company limited by shares, domiciled and incorporated in England. The address of the company's registered office and principal place of business is Berkeley House, 304 Regents Park Road, London, N3 2JX. The principal activity of the company during the year was that of property investment.

**1.1 Basis of accounting**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, and under the historical cost convention as modified to include investment properties at fair value.

With effect from 1 January 2019 the company has adopted the amendments to FRS 102 published in the Triennial Review 2017. There are no adjustments to the current or comparative period in relation to this amendment.

**1.2 Reduced disclosures**

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' - Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Beta Centauri Limited. The consolidated financial statements of Beta Centauri Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

**1.3 Going concern**

The company is party to a group cross collateralised funding structure along with a number of other companies under common control. The directors have assessed the operation of the structure and have determined that the company has, or can expect to have, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis. The company is party to cross collateralised loans totalling £734.2m as at 31 December 2019 (2018: £724.0m). The cross collateralised loan balance is due for repayment in January 2080. The facility is a 65 year fully amortising facility and there are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet debt service liabilities as they fall due for the upcoming 53 week period.

For the reasons disclosed in the post balance sheet event note on page 24 the directors do not believe the Covid-19 pandemic will have an impact on the group's ability to continue as a going concern.

## **PROXIMA GR PROPERTIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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##### **1.4 Functional and presentational currencies**

The financial statements are presented in sterling which is also the functional currency of the company.

##### **1.5 Turnover**

Turnover comprises of rent receivable and other income arising from investment properties.

Rental income is recognised in accordance with the terms of the lease.

Turnover is recognised at the fair value of the consideration received or receivable for rental income charged to external customers in the ordinary nature of the business.

##### **1.6 Investment properties**

The company's holdings of freehold reversionary interests are classified as investment properties and are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available. Changes in fair value are recognised in the statement of comprehensive income.

These assets represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets generate income in the form of annual ground rents along with other ancillary fixed income streams.

Recognising the nature of these investment properties and the lack of a regular market for significant portfolios of such assets, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cash flow valuation of the income streams generated by these assets. The valuation of the entire freehold reversionary interest portfolio is undertaken by the directors based on periodic actuarial valuations carried out by a leading firm of third party actuarial consultants.

The directors also recognise, given the lack of a regular market for significant portfolios of such assets, that these fair values may not be realised should the company seek to dispose of any or all of the investment properties.

Further details are given in note 8.

##### **1.7 Investments**

Investments in subsidiaries are initially measured at the cost of acquisition and subsequently measured at cost less any accumulated impairment losses. Changes in fair value are recognised in other comprehensive income.

Investments in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in other comprehensive income.

##### **1.8 Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

## **PROXIMA GR PROPERTIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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##### **1.8 Taxation (continued)**

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **1.9 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

###### ***Financial assets***

###### ***Trade debtors***

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.



**PROXIMA GR PROPERTIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1.9 Financial instruments (continued)**

***Financial liabilities***

***Creditors***

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

***Borrowings***

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

***Derecognition of financial assets and liabilities***

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**1.10 Critical accounting estimates and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Critical accounting estimates and assumptions***

In preparing these financial statements, the directors have made estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***Valuation of investment properties***

A key accounting estimate in preparing these financial statements relates to the fair value of the investment properties. The company uses periodic external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the investment properties. However, the valuation of the company's investment properties is inherently subjective, as it is made on the basis of valuation assumptions which may in future prove not to be accurate, the risk of which is heightened due to the potential legislative changes noted below.

The Government, through the Department for Communities and Local Government, now known as the Ministry for Housing, Communities and Local Government (MHCLG) and the Competitions and Markets Authority (CMA), is undertaking a series of consultations on and reviews of the residential property market with a focus on the legal framework surrounding the freehold and leasehold classes of property interests. The implementation of legislative changes arising from these reviews could materially reduce the level of income generated by the portfolio of investment properties.

**PROXIMA GR PROPERTIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1.10 Critical accounting estimates and areas of judgement (continued)**

*Valuation of investment properties (continued)*

The directors are of the view that the proposed changes would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors have engaged actively in the consultations and with other stakeholders and interested parties in order to convey the group's opposition to the current proposals. Recent public announcements by government and in the Law Commission's report have recognised that any proposals to make wholesale reforms retrospectively pose real problems with respect to the contravention of human rights legislation. As such the impact of reforms will be greatest for future leases and not those already in existence.

An intrinsic element of the long-term forecasts is the continuing rental income and lease extension premiums generated by the property assets held by the company. The potential legislative changes raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

However, the likelihood of the changes, as proposed in their current form, coming into effect is believed to be low and the financial consequences of any changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on their forecasts and it is assumed that the current methodology continues to represent a fair value of these assets.

Further details of the valuation of the investment properties are set out in note 8.

*Current taxation*

In arriving at the tax charge for the year the directors have been required to consider new legislation introduced by HMRC in respect of Corporate Interest Restrictions and restrictions on the use of losses from the 1st April 2017.

These rules are complex and may have a material impact on the group's tax charge. The complex nature of the rules and their impact on the wider Euro Investments Overseas Incorporated group could mean the assumptions on which the restrictions are based prove to be inaccurate. If this were the case, then the tax charge may change materially.

*Deferred taxation*

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

**PROXIMA GR PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2 Turnover**

An analysis of the company's turnover by class of business is as follows:

	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
Rental receivable	13,347	12,942
Other income	10,040	7,092
	<u>23,387</u>	<u>20,034</u>

The company's turnover for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

At 31 December, the expected future lease rental receipts under non-cancellable leases were as follows:

	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
Less than one year	13,526	13,383
Between one and five years	58,087	56,386
More than five years	2,329,088	2,344,315
	<u>2,400,701</u>	<u>2,414,084</u>

The receipts under the non-cancellable leases are ground rent payments made by the tenants holding leasehold interests issued against the company's investment properties. These leases provide the leaseholder with occupational rights to the property for the duration of the lease to the exclusion of the company. The tenants, where they meet qualifying criteria, do have the right under UK legislation to extend or cancel the lease in return for a premium payable to the freeholder. The company has only calculated the rental receipts due from these leases for the first 61 years of the lease duration as it is not practical to calculate expected receipts from beyond this time.

**3 Interest payable and similar charges**

	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
Interest on parent company loan	8,990	8,781
Finance costs recharged	20	20
	<u>9,010</u>	<u>8,801</u>
Related party interest		
	<u>9,010</u>	<u>8,801</u>

**4 Profit/(loss) before taxation**

	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
The profit/(loss) before taxation is stated after charging:		
- Auditor's remuneration	9	8
	<u>9</u>	<u>8</u>

**PROXIMA GR PROPERTIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**5 Employees**

There were no employees during the year other than the directors. The directors are remunerated by the related party Fairhold Services Limited and this is recharged to the company as part of the management charge from Estates & Management Limited. This management charge, which in 2019 amounted to £2.3m (2018: £2.3m) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the company and it is not possible to identify separately the amount relating to the directors' remuneration.

**6 Taxation**

	<b>2019</b> <b>£000's</b>	2018 £000's
<b>Current tax</b>		
UK corporation tax	-	1,610
UK corporation tax overprovision for prior years	(1,582)	(850)
	<hr/>	<hr/>
<b>Total current tax</b>	(1,582)	760
	<hr/>	<hr/>
<b>Deferred tax</b>		
Movement on potential chargeable gain liability	49,147	(21,694)
	<hr/>	<hr/>
<b>Total deferred tax</b>	49,147	(21,694)
	<hr/>	<hr/>
<b>Total tax on loss</b>	47,565	(20,934)
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the effective rate of corporation tax in the UK 19% (2018: 19.00%). The differences are explained below:

	<b>2019</b> <b>£000's</b>	2018 £000's
Profit/(loss) before tax	289,955	(119,982)
	<hr/>	<hr/>
Profit/(loss) multiplied by the effective rate of corporation tax in the UK of 19% (2018: 19.00%)	55,092	(22,797)
	<hr/>	<hr/>
Effects of:		
Group relief received without charge	(2,258)	(123)
Capital gains indexation	(3,786)	1,781
Capital gains transferred to a related party	99	993
Corporate interest restriction	-	1,672
Tax losses utilised	-	(1,610)
Adjustment in respect of prior periods	(1,582)	(850)
	<hr/>	<hr/>
<b>Tax charge/(credit)</b>	47,565	(20,934)
	<hr/> <hr/>	<hr/> <hr/>

**PROXIMA GR PROPERTIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**6 Taxation (continued)**

The company has estimated tax losses of £39.7m (2018: £34.0m) available to carry forward against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

Deferred tax on investment properties is recognised at 17% (2018: 17%) in the current period.

Further details are given in note 17.

**7 Fixed asset investments**

	Shares in subsidiary undertakings £000's
Cost as at 1 January 2019 and 31 December 2019	518
Details of the investments are as follows:	

**Tor Sands Freehold Limited**

Registered in England and Wales No. 05857041 - 100% of issued share capital held. The company's principal activity during the year was that of an investment company. Its registered office is Berkeley House, 304 Regents Park Road, London, N3 2JX.

**8 Investment properties**

	Freehold reversionary interests	
	2019 £000's	2018 £000's
<b>Fair value</b>		
As at 1 January	2,198,299	2,329,176
Fair value gain/(loss)	278,594	(123,552)
Disposals	(2,161)	(7,325)
<b>As at 31 December</b>	<b>2,474,732</b>	<b>2,198,299</b>

The freehold investment properties represent a portfolio of reversionary interests. The investment properties were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at 6 October 2015. The directors have reviewed the actuarial valuation as at 6 October 2015 and, based on market changes in the intervening period, have determined their own valuation at the year end.

The directors, in carrying out their valuation at 31 December 2019, have reviewed the basis of the 6 October 2015 actuarial valuation and concluded that there have been changes in the key valuation drivers since the actuarial valuation. Accordingly, the directors have assessed these changes to the valuation drivers and, based on the sensitivities noted in the 2015 valuation, consider the updated valuation of the freehold reversionary interest investment properties of £2.47bn at 31 December 2019 (2018: £2.20bn) is appropriate for adoption for the purposes of these financial statements.

The basis of the most recent independent valuation performed on an actuarial basis was to project risk adjusted income streams generated by the portfolio over 150 years discounted by a risk-free rate of return.

**PROXIMA GR PROPERTIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**8 Investment properties (continued)**

The principal assumptions used in this independent actuarial valuation were:

RPI basis for inflation assumptions	- Implied inflation vector taken from the Bank of England website;
Residential property inflation	- derived from market rental yields as found in the ARLA report and the UK Government gilt curve;
Risk free discount rate	- a series of rates reflecting the UK government gilt curve as applicable to each cash flow date;
Taxation	- no allowance has been made for taxation in projecting the future revenue flow;
Incidence rates for lease extensions	- historic incidence rates and FTT valuation.

The assumptions with the most significant impact on the valuation are the discount rate and RPI:

- A 1% increase or decrease in the discount rate will reduce or increase the valuation by 39% and 94% respectively.
- A 1% increase or decrease in RPI will increase or reduce the valuation by 63% and 29% respectively.

The Directors consider that due to the nature of the core income streams being a large number of small ground rent receipts and given the low interest rate environment there is minimal adverse impact, if any, on the overall value of investment properties in the coming 12 month period as a result of Covid-19.

If investment properties were stated on a historical basis rather than a fair value basis, the amounts would have been included as follows:

	<b>2019 £000's</b>	<b>2018 £000's</b>
Cost	876,377	879,032

The company's investment property is subject to a debenture and charge in connection with a guarantee provided by the company in respect of the indebtedness of the holding company and other related parties (see note 14).

**9 Debtors**

	<b>2019 £000's</b>	<b>2018 £000's</b>
Trade debtors	594	658
Prepayments and accrued income	-	1
Tax recoverable	231	-
Sundry debtors	90	47
	<b>915</b>	<b>706</b>

**PROXIMA GR PROPERTIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**10 Creditors: amounts falling due within one year**

	<b>2019 £000's</b>	<b>2018 £000's</b>
Accruals and deferred income	2,935	2,764
Corporation tax liability	-	246
	<u>2,935</u>	<u>3,010</u>

**11 Creditors: amounts falling due after more than one year**

	<b>2019 £000's</b>	<b>2018 £000's</b>
Amounts owed to parent undertaking	262,477	277,297

The loan from the parent company is due for repayment in 2085. Interest is charged at 6-month Libor +2.35%.

**12 Provisions for liabilities**

	<b>Deferred taxation £000's</b>
As at 1 January 2019	215,630
Movement in provision in the year	49,147
	<u>264,777</u>
As at 31 December 2019	<u>264,777</u>

Provision for deferred tax liabilities recognised by the company is as follows:

	<b>2019 £000's</b>	<b>2018 £000's</b>
Deferred tax on assets measured at fair value	264,777	215,630

The company has an unprovided deferred tax asset in respect of losses available to carry forward amounting to £6.8m (2018: £5.8m).

Further details are given in note 17.

**PROXIMA GR PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**13 Share capital and reserves**

	<b>2019</b>	<b>2018</b>
<b>Share capital</b>	<b>£000's</b>	<b>£000's</b>
Allotted, issued and fully paid:		
38,000,001 ordinary shares of £1	38,000	38,000
	<u>          </u>	<u>          </u>

*Ordinary share rights*

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

**Reserves**

Reserves of the company represent the following:

*Retained earnings*

Cumulative profit and loss net of distributions to owners

*Capital reserve*

The capital reserve represents reserves generated from historic waivers of related party balances.

**14 Guarantees**

The company has given an unlimited guarantee in respect of some of the indebtedness of its holding company Betelgeuse Limited. The guarantee is supported by a debenture and a charge over the company's investment properties. At 31 December 2019 the total amount outstanding subject to that guarantee was £734.2m (2018: £724.0m).

**15 Immediate parent company, ultimate parent company and ultimate controlling party**

The company's immediate parent company is Betelgeuse Limited which is the smallest group for which group accounts containing this company are prepared. Betelgeuse Limited is domiciled and incorporated in the UK. The ultimate UK parent company is Beta Centauri Limited, which is the largest group for which group accounts containing this company are prepared. Copies of the financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Geneva Trust Company (GTC) SA as trustees of the Tchenguiz Family Trust.

**16 Related party transactions**

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

Management fees of £2.3m (2018: £2.3m) were charged to the company in the year by Estates & Management Limited, a company related by virtue of common control and common directors.



**PROXIMA GR PROPERTIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**17 Post balance sheet events**

- a. In March 2020, the Covid-19 pandemic broke in the UK. This event has not impacted the company's performance for the year ended 31 December 2019 nor its financial position at 31 December 2019.

The current situation is unprecedented and the wider economic impact is uncertain. There is an expectation that the levels of the company's ancillary income will reduce, however, the directors are of the view that because of the very long-term nature of the group's financing structures and the nature of the company's core income, being a large number of small ground rent receipts, the overall impact on the company is not likely to be significant.

Additionally, as disclosed in note 8 in relation to the sensitivity analysis of the valuation of the investment properties, reductions in interest rates and discount rates, as have occurred in recent months, will have had a positive impact on the valuation of the group's property portfolio.

- b. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for UK GAAP purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent.

If deferred tax at 31 December 2019 was re-measured at 19%, the effect would be an increase in the deferred tax provision of £31.15m.

**PROXIMA GR PROPERTIES LIMITED**  
**DETAILED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
<b>Turnover</b>		
Rent receivable	13,347,261	12,942,277
Transfer fees	2,108,577	1,757,662
HMO Income	476,206	459,653
Administration fees	3,168,488	2,313,128
Insurance commissions	702,989	636,306
Lease extensions	2,552,445	1,924,815
Lease variations	1,030,773	-
	<hr/>	<hr/>
	23,386,739	20,033,841
<b>Administration costs</b>		
Head rent payable	(98,531)	(80,687)
Management charge	(2,312,936)	(2,262,472)
Rates	(1,815)	(1,711)
Service charge	(25,175)	(30,032)
Utilities	(1,055)	(91)
Maintenance	(4,535)	(1,629)
Miscellaneous	(603)	-
Insurance	(206)	(523)
Audit	(8,676)	(8,376)
Legal and professional	(39,487)	(49,406)
	<hr/>	<hr/>
	(2,493,019)	(2,434,927)
<b>Loss on disposal of investment properties</b>	(523,270)	(5,228,117)
<b>Fair value gain/(loss) investment property</b>	278,594,158	(123,552,025)
	<hr/>	<hr/>
<b>Operating profit/(loss)</b>	298,964,608	(111,181,228)
<b>Interest payable and similar charges</b>		
Interest on parent company loan	(8,989,897)	(8,781,544)
Finance costs recharged	(19,729)	(19,671)
	<hr/>	<hr/>
	(9,009,626)	(8,801,215)
	<hr/>	<hr/>
<b>Profit/(loss) before taxation</b>	289,954,982	(119,982,443)
	<hr/>	<hr/>

This page does not form part of the statutory financial statements.