

Registered number
05312784

Trinity Land & Investments No.2 Limited
Report and Financial Statements
30 September 2017



Trinity Land & Investments No.2 Limited
Report and Financial Statements
Contents

	Page
Company Information	1
Strategic Report	2
Directors' Report	4
Independent Auditors' Report to the Members of Trinity Land & Investments No.2 Limited	6
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Cash Flows	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12

**Trinity Land & Investments No.2 Limited
Company Information**

Directors

Simon Paul Wombwell
GRIF Cosec Limited

Secretary

GRIF Cosec Limited

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

Registered office

c/o Brooks Macdonald
10th Floor
No.1 Marsden Street
Manchester
M2 1HW

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Trinity Land & Investments No.2 Limited
Registered number: 05312784
Strategic Report

The Directors present their Strategic report on the Company for the year ended 30 September 2017.

Review of the business, principal activities and future developments

The Company operates a property investment and rental business and owns the ground rents of a number of properties across the United Kingdom.

The Company will continue to collect ground rent income due under the terms of the leases and maximise returns to shareholders.

Position and performance

The loss for the financial year, after taxation was £375,253 (2016 : profit £855,765). The net asset position of the Company at year end was £818,014 (2016 : £1,421,267).

Investment strategy

The Company has acquired and intends to continue to acquire ground rents. Ground rents can comprise of freeholds and long dated head leases of residential, retail and commercial properties in the United Kingdom. These interests have and will have a pre-determined long-term income stream from the lease and, ultimately, when the lease comes to an end, a reversionary value.

Key performance indicators

Due to the straightforward nature of the business, the Directors do not feel it is necessary to report KPIs in order to understand the performance of the Company.

Principal risks and uncertainties

Investment market conditions

A systematic fall in the valuation of real estate could lead to a fall in the Company's net asset value. Valuations are linked to multiples of the ground rent payable and ground rents payable are subject to pre-determined, contractual review dates and amounts. The multiples vary according to market sentiment, the nature of the rent review and the time until the next rent review.

Investment performance

The returns to investors, over the long term, are dependent on the income stream from ground rents and any movement in the valuation of the underlying assets. Income from the collection of ground rents is one of the most secure sources of income available in the UK, due to the ability of a freeholder and/or head leaseholder to forfeit the lease on any property where the leaseholder fails to pay the ground rent.

Real Estate Investment Trust ('REIT') rules

The Company forms part of a group known as Ground Rents Income Fund plc ('the Group') which must remain compliant with the REIT rules in order to take advantage of the potential efficiencies in its tax affairs, including exemption from UK corporation tax on profits and gains from its UK property rental business. The Directors receive a quarterly report on the Group's compliance with the REIT rules and take independent tax advice on the conduct of its business to ensure that it remains compliant with the REIT regime.

Trinity Land & Investments No.2 Limited
Registered number: 05312784
Strategic Report

Financial risk management

The Company's financial risk management is set out in note 10 to the financial statements.

Future developments

The Directors continue to seek suitable ground rent acquisitions.

Leaseholder engagement

In September 2017, the Group announced its intention to implement an asset management plan in response to the Department for Communities and Local Government's ('DCLG's') launch of the consultation on proposals to amend leasehold legislation. In conjunction with the Investment Manager, the Board of Directors have agreed to contact all residential leaseholders with doubling ground rents and offer them the opportunity to convert their existing review mechanism to the lesser of inflation, as measured by the Retail Prices Index ('RPI'), or doubling, while retaining their existing review cycle.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'S. P. Wombwell', with a stylized flourish at the end.

Simon Paul Wombwell
Director
25 April 2018

Trinity Land & Investments No.2 Limited
Registered number: 05312784
Directors' Report

The Directors present their report and audited financial statements for the year ended 30 September 2017.

Principal activities

The Company operates a property investment and rental business and generates its revenue from the collection of ground rents and ancillary income from its freehold and head leases.

The loss for the financial year, after taxation was £375,253 (2016 : profit £855,765). The net asset position of the Company at year end was £818,014 (2016 : £1,421,267).

Future developments

The Directors will continue to operate the property investment and rental business to maximise returns for the shareholders and to seek suitable ground rent acquisitions.

Financial instrument risk

The Company's financial risk management is set out in note 10 to the financial statements.

Dividends

The Company paid an interim dividend of £228,000 per share to its parent company Ground Rents Income Fund plc, totalling £228,000 for the year (2016 : £0).

The Directors do not recommend payment of a final dividend (2016 : £nil).

Events after the year end date

Details of any events after the year end date can be found in note 15 to the financial statements.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Simon Paul Wombwell
GRIF Cosec Limited

Directors' indemnity insurance

The parent entity, Ground Rents Income Fund plc, has entered into Directors & Officers Insurance to cover itself and its subsidiaries with a qualifying third party indemnity provider. This was in force during the financial year and also at the date of approval of the financial statements.

Trinity Land & Investments No.2 Limited
Registered number: 05312784
Directors' Report

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 these 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors 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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment was passed at the Annual General Meeting of the parent company, Ground Rents Income Fund plc, on 23 January 2018.

Statement on disclosure of information to auditors

Each person who was a Director at the time this report was approved confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 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 the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

This report was approved by the Board on 25 April 2018 and signed on its behalf by:



Simon Paul Wombwell
Director
25 April 2018

Trinity Land & Investments No.2 Limited
Independent auditors' report
to the members of Trinity Land & Investments No.2 Limited

Report on the audit of the financial statements

Our opinion

In our opinion, Trinity Land & Investments No.2 Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2017; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

- 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

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.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Trinity Land & Investments No.2 Limited
Independent auditors' report
to the members of Trinity Land & Investments No.2 Limited

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

Auditors' responsibility for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

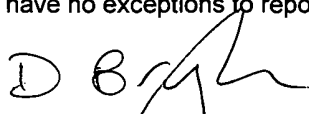
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
25 April 2018

Trinity Land & Investments No.2 Limited
Statement of Comprehensive Income
for the year ended 30 September 2017

	Note	2017 £	2016 £
Continuing operations			
Revenue	3	135,747	132,765
Net revaluation (deficit)/gain on investment properties	7	(511,000)	723,000
Operating (loss)/profit		<u>(375,253)</u>	<u>855,765</u>
(Loss)/profit on ordinary activities before taxation	4	<u>(375,253)</u>	<u>855,765</u>
Taxation	6	-	-
Result and total comprehensive (expense)/income for the financial year		<u>(375,253)</u>	<u>855,765</u>

The accompanying notes from pages 12 to 19 form an integral part of the financial statements.

Continuing operations

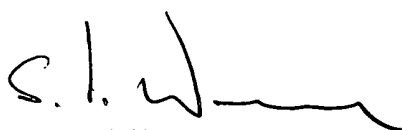
None of the Company's activities were acquired or discontinued during the above two financial years.

Trinity Land & Investments No.2 Limited
Statement of Financial Position
as at 30 September 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Investment properties - ground rents	7	3,330,000	3,841,000
Total non-current assets		<u>3,330,000</u>	<u>3,841,000</u>
Current assets			
Trade and other receivables	8	27,502	36,738
Total assets		<u>3,357,502</u>	<u>3,877,738</u>
Current liabilities			
Trade and other payables	9	(2,539,488)	(2,456,471)
Total current liabilities		<u>(2,539,488)</u>	<u>(2,456,471)</u>
Net assets		<u>818,014</u>	<u>1,421,267</u>
Financed by:			
Equity			
Share capital	11	1,000	1,000
Retained earnings		1,192,267	564,502
Current year (loss)/profit		(375,253)	855,765
Total equity		<u>818,014</u>	<u>1,421,267</u>

The accompanying notes from pages 12 to 19 form an integral part of the financial statements.

The financial statements on pages 8 to 19 were approved by the Board on 25 April 2018 and signed on its behalf by:



Simon Paul Wombwell
Director
25 April 2018

Trinity Land & Investments No.2
Limited
Registered number: 05312784

Trinity Land & Investments No.2 Limited
Statement of Cash Flows
for the year ended 30 September 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit on ordinary activities before taxation	(375,253)	855,765
Adjustments for:		
Non-cash revaluation deficit/(gain)	511,000	(723,000)
Profit on sale of fixed assets	-	-
Operating cash flows before movements in working capital	<u>135,747</u>	<u>132,765</u>
Movements in working capital:		
Decrease/(increase) in trade and other receivables	9,236	(4,816)
Decrease in trade and other payables	(144,983)	(127,949)
Net cash generated from operations	<u>-</u>	<u>-</u>
Taxation received	-	-
Net cash flow from operating activities	<u>-</u>	<u>-</u>
Net movement in cash and cash equivalents	<u>-</u>	<u>-</u>
Net cash and cash equivalents at 1 October	<u>-</u>	<u>-</u>
Net cash and cash equivalents at 30 September	<u>-</u>	<u>-</u>

The accompanying notes from pages 12 to 19 form an integral part of the financial statements.

Trinity Land & Investments No.2 Limited
Statement of Changes in Equity
for the year ended 30 September 2017

	Share capital £	Retained earnings £	Total equity £
At 1 October 2015	1,000	564,502	565,502
Comprehensive income			
Profit for the financial year	-	855,765	855,765
Total comprehensive income	-	855,765	855,765
Dividends paid	-	-	-
At 30 September 2016	1,000	1,420,267	1,421,267
At 1 October 2016	1,000	1,420,267	1,421,267
Comprehensive expense			
Loss for the financial year	-	(375,253)	(375,253)
Total comprehensive expense	-	(375,253)	(375,253)
Transactions with owners			
Dividends paid	-	(228,000)	(228,000)
At 30 September 2017	1,000	817,014	818,014

The accompanying notes from pages 12 to 19 form an integral part of the financial statements.

Trinity Land & Investments No.2 Limited
Notes to the financial statements
for the year ended 30 September 2017

1 General information

The Company is a private company and incorporated and domiciled in the UK. The address of its registered office is c/o Brooks Macdonald, 10th Floor, No.1 Marsden Street, Manchester, M2 1HW.

The Company's principal activity during the year was to operate a property investment and rental business and generate revenue from the collection of ground rents and ancillary income from its freehold and head leases.

2 Accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS IC interpretations. The financial statements have been prepared under the historical cost convention. Accounting policies are detailed below and have been applied consistently.

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies of the company which have been applied consistently throughout the year are set out below.

(b) New and amended standards and interpretations adopted by the company

The following new EU-endorsed standards, amendments to standards and interpretations are mandatory for the first time for the financial year ending 30 September 2017, but have not had an impact on the amounts reported in these financial statements:

IFRS 5	'Non-current assets held for sale and discontinued operations'
IFRS 7	'Financial instruments: disclosures'
IFRS 14	'Regulatory deferral accounts'
IAS 19	'Employee benefits'
Amendment to IFRS 11	'Joint arrangements'
Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception	
Amendment to IAS 1	'Presentation of financial statements'
Amendment to IAS 38	'Intangible assets'
Amendment to IAS 16	'Property, plant and equipment'
Amendment to IAS 27	'Separate financial statements'
Amendment to IAS 41	'Agriculture'

(c) New or amended standards and interpretations in issue but not yet effective

In addition to the above, the following new EU-endorsed standards, amendments to standards and interpretations have been issued and are effective for the financial year beginning 1 October 2017, but have not been early adopted:

IFRS 9	'Financial instruments'
IFRS 15	'Revenue from contracts with customers'
IFRS 16	'Leases'
IFRS 17	'Insurance contracts'
IFRIC 23	'Uncertainty over income tax treatments'
Amendment to IFRS 4	'Insurance contracts' - regarding of IFRS 9 'Financial instruments'
Amendments to IFRS 2	'Share based payments' - on transaction accounting clarification
Amendment to IAS 40	'Investment property'
Amendment to IAS 7	'Statement of cash flows' - on the disclosure initiative
Amendment to IAS 12	'Income taxes' - on the recognition of deferred tax assets

The impact of these new standards and amendments will be assessed in detail prior to adoption. However, at this stage the Directors do not anticipate them to have a material impact on the amounts reported in the financial statements.

Trinity Land & Investments No.2 Limited
Notes to the financial statements
for the year ended 30 September 2017

2 Accounting policies (continued)

(d) Going concern

The Directors have prepared models for a period in excess of 18 months that consider the level of cash resources required to meet the on-going needs of the business. Based on these models, and, after making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that the Company has sufficient resources to continue as a going concern for the foreseeable future. A letter of support has been obtained from the parent company stating that the loan will not be recalled until the Company has sufficient funds to pay it.

(e) Capital management

The capital of the Company is managed on its behalf by the Company's ultimate controlling party, Ground Rents Income Fund plc, along with the capital of all the subsidiaries in the associated group, which consists of cash held across different bank accounts in several banking institutions. Further information regarding the capital management can be found within the financial statements of the parent company, Ground Rents Income Fund plc.

(f) Revenue

Revenue represents the value of ground rent income due in the period together with any supplementary income earned in the year, including tenant notice fees and other income. Ground rent revenue is recognised on a straight line basis over the term receivable.

(g) Investment properties - ground rents

Ground rents are carried in the statement of financial position at their open market value. The Directors have applied the fair-value model in IAS 40 - Investment Property. Properties are revalued at the year end date by an independent valuer. Expenses that are directly attributable to the acquisition of a ground rent are capitalised into the cost of investment. Gains and losses on changes in fair value of ground rent assets are recognised in the income statement. The Directors instruct the independent valuers from time to time as the need arises. Gains and losses on changes in fair value are recognised at the time of each valuation.

(h) Critical accounting estimates and judgements

The preparation of financial information requires the use of assumptions, estimates and judgements about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the accounting policies where judgement is necessarily applied are those that relate to valuations. The estimation of the underlying assumptions are reviewed on an ongoing basis.

The valuation of investment properties is dependent on external factors such as the availability of fixed rate investments in the market as well as factors specific to the nature of the investment. While interest rates remain low, ground rents are viewed as attractive investments due to the secure, fixed income streams. The value is also dependent on the timing and amount of future rental uplifts, the most attractive being those linked to RPI with rental cycles of 10 years or less. The least attractive are those ground rents which are flat with no future uplifts.

Property valuations often refer to the YP multiple, otherwise known as Years Purchase (equivalent to the valuation divided by the current ground rent).

Valuations are provided by an independent third-party valuer and reviewed carefully by the Directors before inclusion in the financial statements. Further information about the valuation can be found in note 7.

Trinity Land & Investments No.2 Limited
Notes to the financial statements
for the year ended 30 September 2017

2 Accounting policies (continued)

(i) Taxation

Tax on the result for the year comprises current tax and any adjustments relating to prior years. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the year end date.

(j) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts.

(k) Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classed as current liabilities if payment is due within one year or less.

(l) Functional and presentation currency

The functional and presentation currency is pound sterling.

(m) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Directors.

3 Revenue

All revenue was generated in the United Kingdom.

4 Loss/(profit) on ordinary activities before taxation

	2017	2016
	£	£
This is stated after charging:		
Auditors' remuneration	-	-

Auditors' fee of £74,750 (2016 : £72,400) for all entities in the group was borne by the parent company, Ground Rents Income Fund plc.

5 Staff costs and director emoluments

There were no employees in the current or preceding year and hence staff costs were £nil (2016 : £nil).

The Directors did not receive any emoluments in respect of their services to the company (2016 : £nil). The Directors' services to this company and to a number of fellow subsidiaries are of a non-executive nature and accordingly, the financial statements do not include emoluments in respect of the Directors.

Trinity Land & Investments No.2 Limited
Notes to the financial statements
for the year ended 30 September 2017

6 Taxation

Analysis of credit in year	2017	2016
Current tax:	£	£
UK corporation tax on profit of the year	-	-
Adjustments in respect of previous periods	-	-
	<u>-</u>	<u>-</u>

Factors affecting tax credit for year

The Company is part of a group which is registered as a UK Real Estate Investment Trust. Entities under this HMRC regime pay tax only on their profits arising from non-property income at the standard UK Corporation tax rate.

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2017	2016
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(375,253)</u>	<u>855,765</u>
Standard rate of corporation tax in the UK	19.5%	20.0%
	£	£
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax	(73,174)	171,153
Effects of:		
Unrealised revaluation deficit/(surplus) not taxable	99,645	(144,600)
Property profit not taxable under the REIT regime	(26,471)	(26,553)
Adjustments in respect of previous periods	-	-
Total tax credit for year	<u>-</u>	<u>-</u>

Deferred tax

No deferred tax arises on revaluation of investment properties due to the REIT status of the Company. UK REITs are exempt from Capital Gains Tax on property sales.

Factors affecting current and future tax changes

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the date of the statement of financial position its effects are not included in these financial statements.

Trinity Land & Investments No.2 Limited
Notes to the financial statements
for the year ended 30 September 2017

7 Investment properties - ground rents

	Ground rents
	£
Market value	
At 1 October 2015	3,118,000
Surplus on revaluation	723,000
At 30 September 2016	<u>3,841,000</u>
At 1 October 2016	3,841,000
Deficit on revaluation	(511,000)
At 30 September 2017	<u>3,330,000</u>
Net book value	
At 30 September 2017	<u>3,330,000</u>
At 30 September 2016	<u>3,841,000</u>

The Company's investment in ground rents was valued at 30 September 2017 by Savills Advisory Services Limited at open market value. The historical cost of the investment properties is £2,563,699 (2016 : £2,563,699).

Fair value hierarchy

IFRS 13 "Fair Value Measurement" requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

The fair value hierarchy has the following levels:

Level I: Quoted prices (unadjusted) in active market for identical assets and liabilities.

Level II: Inputs other than quoted prices included within Level I that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).

Level III: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

There have been no transfers between the levels of the fair value hierarchy during the year. All investment property held by the Company is classified as Level III.

The table below shows the principal sensitivity to the key valuation metrics and the resultant change to the valuation.

	+/- effect on valuation
	£
Impact on fair value of 1 YP change	137,717

Trinity Land & Investments No.2 Limited
Notes to the financial statements
for the year ended 30 September 2017

8 Trade and other receivables	2017	2016
	£	£
Trade receivables	27,502	30,409
Amounts recoverable on long term contracts	-	6,329
	<u>27,502</u>	<u>36,738</u>

The ageing analysis of trade receivables is as follows:

	2017	2016
	£	£
Up to 3 months	16,454	12,321
Over 3 months	11,048	18,088
	<u>27,502</u>	<u>30,409</u>

9 Trade and other payables	2017	2016
	£	£
Amounts owed to group undertakings	2,498,953	2,414,284
Other payables	-	2,583
Accruals and deferred income	40,535	39,604
	<u>2,539,488</u>	<u>2,456,471</u>

The amounts owed to Group undertakings are unsecured and repayable on demand. Interest is not charged. It has been confirmed that the loan will not be demanded unless the Company has funds available to pay. There is no maturity date on these borrowings.

10 Financial instruments

The Company's financial instruments are comprised of various items such as trade and other receivables and trade and other payables which arise from its operations. The Company does not have any 'held to maturity' or 'available for sale financial assets' or 'held for trading financial assets and liabilities' as defined by IAS 39.

Financial instruments carried at amortised cost

The book value and fair value of the Company's principal financial instruments were as follows. For other financial assets and liabilities, which are all short term in nature, the carrying value approximates to the fair value.

Assets	Book Value	Fair Value
Trade and other receivables	£	£
At 30 September 2017	27,502	27,502
At 30 September 2016	36,738	36,738

As of 30 September 2017 no trade receivables (2016 : £nil) were impaired or provided for.

Trinity Land & Investments No.2 Limited
Notes to the financial statements
for the year ended 30 September 2017

10 Financial instruments (continued)

Liabilities	Book Value	Fair Value
	£	£
Trade and other payables		
At 30 September 2017	(2,539,488)	(2,539,488)
At 30 September 2016	(2,456,471)	(2,456,471)

Financial risk management

The financial risk management objectives and policies applied by the Company are in line with those of the parent company and Group and are as follows:

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maximise the interest return on funds which have yet to be invested while ensuring there is enough free cash to meet day to day liabilities. In order to maintain or adjust the capital structure the Directors have the option to adjust the dividends paid to shareholders, return cash to shareholders, sell assets or delay purchase of additional assets. The Group monitors capital through cash and dividend forecasts which are prepared and reviewed on a quarterly basis.

Credit risk

Cash deposits are placed with a number of financial institutions whose financial strength has been considered by the Directors based on advice received from the investment manager. The panel of suitable counterparties is subject to regular review by the Board and its advisers.

Interest rate risk

The parent company places excess cash of the Group on deposit in interest bearing accounts to maximise returns.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Directors manage and monitor short-term liquidity requirements to ensure that the Group maintains a surplus of immediately realisable assets over its liabilities, such that all known and potential cash obligations can be met.

11 Share capital	2017	2016
Allotted, called up and fully paid:		
Ordinary shares		
- nominal value (£)	1,000	1,000
- number	1	1

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Trinity Land & Investments No.2 Limited
Notes to the financial statements
for the year ended 30 September 2017

12 Dividends

It is the policy of the Company to pay dividends to its parent company from distributable reserves.

	2017	2016
	£	£
Dividends paid to the parent company in the year	228,000	-

13 Related party transactions

The Company's balance with its parent company Ground Rents Income Fund plc, was £2,498,953 at the year end date (2016 : £2,414,284).

14 Ultimate controlling party

The immediate and ultimate parent undertaking is Ground Rents Income Fund plc, a company registered in England and Wales. Ground Rents Income Fund plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 30 September 2017. In the opinion of the Directors this is the Company's ultimate controlling party. Consolidated financial statements are available from the registered office, 72 Welbeck Street, London, W1G 0AY.

15 Events after the year end date

There were no events after the year end date of note.