

Registered number: 05440299

Elm Reversions Limited

Directors' Report and Financial Statements

For the Year Ended 30 September 2019



Elm Reversions Limited

Company Information

Directors	Paul Barber Antony L Pierce
Registered number	05440299
Registered office	Cross House Westgate Road Newcastle upon Tyne NE1 4XX
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountant and Statutory Auditor Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ
Bankers	Barclays Bank PLC 59 High Street Gosforth Newcastle upon Tyne NE3 4AA
Solicitors	Womble Bond Dickinson LLP St Ann's Wharf 112 Quayside Newcastle upon Tyne NE1 3DX

Elm Reversions Limited

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Elm Reversions Limited

**Directors' Report
For the Year Ended 30 September 2019**

The directors present their report and the financial statements for the year ended 30 September 2019.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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 to 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.

Principal activities

The principal activity of the company during the year was property trading.

Results and dividends

The profit for the year, after taxation, amounted to £1,098,098 (2018 : loss £24,912).

The directors do not recommend the payment of a dividend.

Directors

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

Paul Barber
Antony L Pierce

Elm Reversions Limited

Directors' Report (continued)
For the Year Ended 30 September 2019

Going concern

The directors have prepared the company financial statements on the going concern basis after carefully considering the implications of the recent outbreak of COVID-19 on the company's performance. As stated in note 2 to the financial statements, as a result of the unprecedented global pandemic, a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Small company exemptions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *30th March 2020* and signed on its behalf.



Antony L Pierce
Director

Elm Reversions Limited

Independent Auditors' Report to the Members of Elm Reversions Limited

Report on the audit of the financial statements

Opinion

In our opinion, Elm Reversions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2019; the statement of comprehensive income, 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The Directors have considered the potential impact that the COVID-19 outbreak could have on the forecast compliance with certain banking covenants relating to the forecast level of property sales and the valuation of the underlying portfolios of properties, to which the company acts as a cross-guarantor by means of a legal charge over its assets and book debts. A severe but plausible downside involving a period of significantly reduced property sales or significantly reduced property valuations show that should the sensitivities occur, one or more of these banking covenants may be breached. Whilst there will be an opportunity to remedy any breach and the directors are confident that a covenant breach would not result in a requirement to repay the loan, if the loan was required to be repaid then alternative funding would be sought in order to repay the loan. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The company financial statements do not include the adjustments that would result if the company was unable 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 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.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Independent Auditors' Report to the Members of Elm Reversions Limited

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 Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements as set out on page 1, 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' 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 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Jonathan Greenaway (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Newcastle upon Tyne
30 March 2020

Elm Reversions Limited

**Statement of Comprehensive Income
For the Year Ended 30 September 2019**

	Note	2019 £	2018 £
Turnover	4	7,875	7,595
Cost of sales		(794)	(1,130)
Gross profit		7,081	6,465
Administrative expenses		14,380	3,615
Operating profit	5	21,461	10,080
Amounts written off investments	6	1,103,142	-
Interest payable and similar expenses	7	(44,813)	(40,373)
Profit/(loss) before tax		1,079,790	(30,293)
Tax on profit/(loss)	8	18,308	5,381
Profit/(loss) for the financial year		1,098,098	(24,912)

There was no other comprehensive income for 2019 (2018: £NIL).

The notes on pages 8 to 15 form part of these financial statements.


Elm Reversions Limited
Registered number: 05440299

Statement of Financial Position
As at 30 September 2019

	Note	2019 £	2018 £
Current assets			
Stocks	9	198,790	183,589
Debtors: amounts falling due within one year	10	13,871	-
		<u>212,661</u>	<u>183,589</u>
Creditors: amounts falling due within one year	11	(2,322)	(1,071,348)
Net current assets/(liabilities)		<u>210,339</u>	<u>(887,759)</u>
Total assets less current liabilities		<u>210,339</u>	<u>(887,759)</u>
Net assets/(liabilities)		<u><u>210,339</u></u>	<u><u>(887,759)</u></u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account	14	210,338	(887,760)
Total equity		<u><u>210,339</u></u>	<u><u>(887,759)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

30th March 2020


Antony L Pierce
Director

The notes on pages 8 to 15 form part of these financial statements.

<p>Elm Reversions Limited</p>

**Statement of Changes in Equity
For the Year Ended 30 September 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2017	1	(862,848)	(862,847)
Loss for the year	-	(24,912)	(24,912)
As at 30 September 2018 and at 1 October 2018	1	(887,760)	(887,759)
Profit for the year	-	1,098,098	1,098,098
At 30 September 2019	1	210,338	210,339

Elm Reversions Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Cross House, Westgate Road, Newcastle upon Tyne, NE1 4XX.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The company has taken advantage of the small companies exemptions in preparing the directors' report and from preparing a strategic report.

2.2 Going concern

The financial statements are prepared on the going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, which have been applied consistently throughout.

As part of the company's ongoing review of going concern, the directors have reviewed the company position in detail and have considered the impact of the recent outbreak of COVID-19 on company's performance.

Whilst it is difficult to predict the impact that COVID-19 might have on the company's business, the directors have considered the impact as low overall due to the high level of available cash held by the wider Retirement Bridge Group and the value of trading properties currently in the pipeline across all portfolios. Whilst it is possible that there may be a decline in the level of house prices and some sales may fall through, the majority of the current pipeline is expected to translate to turnover in the next 12 months. The company is a cross-guarantor to a loan within the wider Retirement Bridge Group, and the group requires less than half of the pipeline within the relevant portfolio to convert to sales revenue to continue to meet debt interest payments without resorting to the utilisation of the cash liquidity reserve.

However, should the housing market see a severe downturn and the value of the property portfolio drop significantly, the group may be at risk of breaching one or more of its debt covenants with one of its senior lenders to which this company is a cross-guarantor. As at the reporting date, the group has sufficient expected headroom before breach of the debt covenants to give sufficient scope and time to take mitigating action to avoid the breach of any debt covenants.

These mitigating actions may include partial or full early repayment of debt, requesting support from the business loans scheme announced by the Government on 17 March 2020, claiming business interruption insurance if possible, securing waivers from the debt providers and consideration of operational cost savings. Furthermore, should it be necessary, the group may request assistance from other connected lenders who may be able to provide additional drawdown facilities at short notice.

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

2. Accounting policies (continued)

The directors acknowledge it is difficult to predict the overall outcome and impact of COVID-19 at this stage, but the above scenario in relation to the drop in the housing market is considered severe but plausible. This scenario indicates the existence of a material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Equity Release Investment Company 2 Limited as at 30 September 2019 and these financial statements may be obtained from Cross House, Westgate Road, Newcastle upon Tyne, NE1 4XX.

2.4 Revenue recognition

Turnover comprises gross rentals and sundry other income, exclusive of VAT. Gross rentals are recognised on a straight line basis over the lease term on an accruals basis. Sundry other income is recognised when it becomes receivable.

2.5 Stocks

Trading properties are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Elm Reversions Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

2. Accounting policies (continued)

2.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In determining that the value of trading properties are not carried at more than their recoverable amount an external valuation has been applied.

There are no other areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Rental income	7,875	7,595
	<u>7,875</u>	<u>7,595</u>

All turnover arose within the United Kingdom.

Elm Reversions Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

5. Operating profit

Audit fees are statutory audit fees only and are borne by another Group company.

None of the directors received any remuneration from the company during the year, or in the previous year, in respect of their services to the company. There are no other persons holding service contracts with the Company (2018: nil).

6. Amounts written off investments

	2019 £	2018 £
Amounts written off loans payable to group undertakings	1,103,142	-
	<u>1,103,142</u>	<u>-</u>

7. Interest payable and similar expenses

	2019 £	2018 £
Loans from group undertakings	44,796	40,373
Other interest payable	17	-
	<u>44,813</u>	<u>40,373</u>

Elm Reversions Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

8. Tax on profit/(loss)

	2019 £	2018 £
Current tax		
Group taxation relief	(4,437)	(5,381)
Total current tax	<u>(4,437)</u>	<u>(5,381)</u>
Deferred tax		
Origination and reversal of timing differences	(13,871)	-
Total deferred tax	<u>(13,871)</u>	<u>-</u>
Tax on profit/(loss) on ordinary activities	<u>(18,308)</u>	<u>(5,381)</u>

Factors affecting tax charge for the year

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

	2019 £	2018 £
Profit/(loss) on ordinary activities before tax	<u>1,079,790</u>	<u>(30,293)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	205,160	(5,756)
Effects of:		
Group relief surrendered	4,437	5,381
Receipt for group relief	(4,437)	(5,381)
Non-taxable income	(209,597)	-
Adjust closing deferred tax to average rate	-	2,171
Adjust opening deferred tax to average rate	-	(2,132)
Deferred tax not recognised	-	336
Tax rate changes	1,632	-
Deferred tax at the standard UK tax rate of 19%, not previously provided, now recognised	(15,503)	-
Total tax charge for the year	<u>(18,308)</u>	<u>(5,381)</u>

Elm Reversions Limited

Notes to the Financial Statements
For the Year Ended 30 September 2019

8. Tax on profit/(loss) (continued)

Factors that may affect future tax charges

No provision has been made for the tax that would become payable if the company's properties were sold at their year end replacement values. The total unprovided deferred tax in respect of this is £nil (2018: £18,454).

9. Stocks

	2019 £	2018 £
Trading properties	198,790	183,589
	<u>198,790</u>	<u>183,589</u>

The replacement value of stock is £198,790 (2018: £183,589) based on market value at 30 September 2019, as assessed by external experts.

10. Debtors: amounts falling due within one year

	2019 £	2018 £
Deferred taxation	13,871	-
	<u>13,871</u>	<u>-</u>

Elm Reversions Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

11. Creditors: amounts falling due within one year

	2019 £	2018 £
Amounts owed to group undertakings	2,169	1,071,348
Corporation tax	17	-
Other creditors	136	-
	2,322	1,071,348

Amounts owed to group undertakings bore interest at 3.3% above LIBOR, are unsecured with no fixed date of repayment and are repayable on demand. Interest payable for the year amounted to £44,796 (2018: £40,373).

12. Deferred taxation

	2019 £
Charged to profit or loss	13,871
At end of year	13,871

The deferred tax asset is made up as follows:

	2019 £	2018 £
Tax losses carried forward	13,871	-
	13,871	-

The provision for deferred tax is solely made up of unused tax losses. The company has tax losses of £81,597 (2018: £81,597) arising in the United Kingdom that are available for offset against future taxable profits in the company.

13. Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of £1.00	1	1
	1	1

Elm Reversions Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

14. Reserves

Profit and loss account

This reserve records retained earnings and accumulated losses.

15. Contingent liabilities

At 30 September 2019, the company, together with certain of its fellow group companies, has guaranteed loans of £74,746,270 (2018: £55,072,435) of certain fellow group companies by means of a legal charge over its assets and book debts. Details of the debt repayment profile are shown in the statutory financial statements of Equity Release Investment Company 2 Limited.

16. Related party transactions

The company is exempt from disclosing related party transactions as they are with other companies wholly owned within the Group.

17. Controlling party

Retirement Bridge Limited is the immediate parent company by virtue of its 100% shareholding in the company.

Equity Release Investment Company 2 Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 30 September 2019. The consolidated financial statements of Equity Release Investment Company 2 Limited can be obtained from Cross House, Westgate Road, Newcastle Upon Tyne, NE1 4XX.

Retirement Bridge Investments Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 September 2019. The consolidated financial statements of Retirement Bridge Investments Limited can be obtained from Cross House, Westgate Road, Newcastle Upon Tyne, NE1 4XX.

Patron Capital V L.P is deemed to be the ultimate controlling party by virtue of it's level of control over Retirement Bridge Investments Limited.