Company Number: 06869709

ADRIATIC LAND 9 (GR1) LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

INCORPORATION

Adriatic Land 9 (GR1) Limited (the "Company") was incorporated in the United Kingdom under the laws of England and Wales on 3 April 2009.

ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Company is the collection of rental income from a portfolio investment properties.

The directors expect to continue with the Company's principal activity for the coming year.

RESULTS AND DIVIDENDS

The results for the year are shown on page 9. The Directors do not recommend the payment of a dividend for the year (2020: £nil).

GOING CONCERN

As at 31 March 2021, the Directors believe that the Company has adequate resources to continue in operational existence. This conclusion has been reached based on reviews conducted in relation to the future performance and cash flow forecasts for the foreseeable future. Accordingly, the Directors deem the going concern basis to be appropriate in preparing these financial statements.

The Company has received a letter of support from its immediate parent company confirming that the intercompany loan as disclosed in note 6 will not be demanded to the extent that the demand would jeopardise the ability of the Company to meet its liabilities as they fall due.

COVID-19

In early 2020, the existence of COVID-19 was confirmed and has since spread globally. COVID-19 has caused disruption to businesses and economic activity which is reflected in recent fluctuations in global markets. From an operational perspective, while safeguarding the wellbeing of all employees, customers and ensuring operational effectiveness, all servicing partners engaged to manage the operations of the Company have been able to successfully implement business continuity plans and have mobilised remote working models to ensure there has been no loss of service to the Company.

The Directors are confident that COVID-19 has had no material financial impact on the Company to date. However, given the inherent uncertainties, there is a risk that future developments could lead to a material change in the fair value of the investment properties within the next 12 months. The Directors will therefore continue to review and assess the impact on a regular basis.

DIRECTORS

The Directors who held office during the year and up to the date of approval of the financial statements were:

C.S Bidel
C.M Warnes
A.L Jeffery

REGISTERED OFFICE

6th Floor
125 London Wall
London EC2Y 5AS
United Kingdom

REPORT OF THE DIRECTORS - (CONTINUED)

COMPANY SECRETARY

The Secretary of the Company during the year and subsequently was Sanne Group Secretaries (UK) Limited.

INDEPENDENT AUDITOR

Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm have expressed their willingness to continue in office.

DIRECTORS' CONFIRMATION

Each of the Directors who is a Director at the time when this report is approved confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and the Company's auditor for that purpose, in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

FINANCIAL RISK MANAGEMENT

The Directors have considered the financial risk factors and mitigations identified and disclosed in note 3 of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors are required to prepare financial statements for each financial year under the Companies Act 2006. As permitted by that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements are required to give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that year.

International Accounting Standard 1 ("IAS 1") requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

REPORT OF THE DIRECTORS - (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS - (CONTINUED)

The Directors are also responsible for keeping proper accounting records that are sufficient to show and explain its 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.

The Directors confirm they have complied with the above requirements throughout the year and subsequently.

BY ORDER OF THE BOARD

Director: A.L Jeffery
Date: 14 December 2021

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADRIATIC LAND 9 (GR1) LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Adriatic Land 9 (GR1) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADRIATIC LAND 9 (GR1) LIMITED

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the entity's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that the use of the going concern basis of accounting is appropriate and no material uncertainties have been identified, we report these conclusions in our auditor's report. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADRIATIC LAND 9 (GR1) LIMITED

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Fire Safety Act 2021, the Building Safety Bill 2020-21 and the Leasehold Reform Ground Rent Bill.

We discussed among the audit engagement team including relevant internal specialists such as valuations, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

Revenue Recognition

- We assessed the design and determined the implementation of the key controls over the revenue recognition process, specifically relating to fair value gains or losses on the investment property portfolio.
  We engaged our valuation and real estate specialists to develop independent estimates of the fair value of each investment property, establishing a range of acceptable values which were then compared to the client's fair values and, using the opening fair value per the prior year signed financial statements, we performed an independent reconciliation to arrive at the fair value movement in the current year

Fair Value of Investment Properties

- We assessed the design and determined the implementation of the key controls over the valuation of the investment property balance.
- We engaged our valuation and real estate specialists to to develop independent estimates of the fair value of each investment property, establishing a range of acceptable values which were then compared to the client's fair values.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ADRIATIC LAND 9 (GR1) LIMITED

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

Report on other legal and regulatory requirements

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 report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the directors has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the report of the directors'.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Michael Hartwell
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace, Dublin 2

Date: 15 December 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

(EXPRESSED IN BRITISH POUNDS)

	Notes	1 Apr 2020 to 31 Mar 2021 £'000	1 Apr 2019 to 31 Mar 2020 £'000
INCOME			
Turnover		449	462
Unrealised gain on revaluation of investment properties	4	3,364	2,293
NET INCOME		3,813	2,755
EXPENSES			
Administrative expenses		(55)	(60)
Audit fees		(10)	(14)
TOTAL EXPENSES		(65)	(74)
OPERATING PROFIT		3,748	2,681
FINANCE COSTS			
Interest expense	6	(945)	(826)
TOTAL FINANCE COSTS		(945)	(826)
PROFIT BEFORE TAX		2,803	1,855
Taxation	8	-	(19)
TOTAL PROFIT FOR THE YEAR		2,803	1,836

(The notes on pages 13 to 26 form part of these audited financial statements)

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

(EXPRESSED IN BRITISH POUNDS)

	Notes	31 Mar 2021 £'000	31 Mar 2020 £'000
ASSETS			
Non-current assets			
Investment properties	4	20,591	17,227
Current assets			
Receivables	5	95	69
Cash and cash equivalents		23	256
		118	325
TOTAL ASSETS		20,709	17,552
LIABILITIES AND EQUITY			
Current liabilities			
Payables	6	10,407	9,966
Non-current liabilities			
Loans payable	7	5,782	5,869
TOTAL LIABILITIES		16,189	15,835
Equity			
Share capital	9	-	-
Retained earnings		4,520	1,717
TOTAL EQUITY		4,520	1,717
TOTAL LIABILITIES AND EQUITY		20,709	17,552

The financial statements were approved and authorised for issue by the Board of Directors on 2021 and were signed on its behalf by:

Director: A.L Jeffery

(The notes on pages 13 to 26 form part of these audited financial statements)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

(EXPRESSED IN BRITISH POUNDS)

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2019	-	(119)	(119)
Total profit for the year	-	1,836	1,836
Balance at 31 March 2020	-	1,717	1,717
Total profit for the year	-	2,803	2,803
Balance at 31 March 2021	-	4,520	4,520

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

(EXPRESSED IN BRITISH POUNDS)

	1 Apr 2020 to 31 Mar 2021 £'000	1 Apr 2019 to 31 Mar 2020 £'000
Cash flows from operating activities		
Profit before tax	2,803	1,855
Adjustments for:		
Interest expense	945	826
Unrealised gain on revaluation of investment properties	(3,364)	(2,293)
Non cash movement on shareholder loan	-	347
Non cash movement on interest accrual	-	(437)
Changes in working capital:		
(Increase) / decrease in receivables	(26)	885
Increase / (decrease) in payables	10	(452)
Tax paid	-	(19)
Net cash from operating activities	368	712
Cash flows from investing activities		
Proceeds from disposal of investment properties	-	20
Net cash from investing activities	-	20
Cash flows from financing activities		
Net repayment from borrowings	(81)	(39)
Interest paid	(520)	(437)
Net cash used in financing activities	(601)	(476)
Net (decrease) / increase in cash and cash equivalents	(233)	256
Cash and cash equivalents at the beginning of the year	256	-
Cash and cash equivalents at the end of the year	23	256

(The notes on pages 13 to 26 form part of these audited financial statements)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. GENERAL INFORMATION

Adriatic Land 9 (GR1) Limited (the "Company") was incorporated in the United Kingdom under the laws of England and Wales on 3 April 2009.

The principal activity of the Company is the collection of rental income from a portfolio investment properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The Company has prepared these financial statements which comply with International Financial Reporting Standards ("IFRS") in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 together with the comparative period data as at, and for the year ended 31 March 2020, as described in the summary of significant accounting policies.

Going concern

As at 31 March 2021, the Directors believe that the Company has adequate resources to continue in operational existence. This conclusion has been reached based on reviews conducted in relation to the future performance and cash flow forecasts for the foreseeable future. Accordingly, the Directors deem the going concern basis to be appropriate in preparing these financial statements.

The Company has received a letter of support from its immediate parent company confirming that the intercompany loan as disclosed in note 6 will not be demanded to the extent that the demand would jeopardise the ability of the Company to meet its liabilities as they fall due.

COVID-19

In early 2020, the existence of COVID-19 was confirmed and has since spread globally. COVID-19 has caused disruption to businesses and economic activity which is reflected in recent fluctuations in global markets. From an operational perspective, while safeguarding the wellbeing of all employees, customers and ensuring operational effectiveness, all servicing partners engaged to manage the operations of the Company have been able to successfully implement business continuity plans and have mobilised remote working models to ensure there has been no loss of service to the Company.

The Directors are confident that COVID-19 has had no material financial impact on the Company to date. However, given the inherent uncertainties, there is a risk that future developments could lead to a material change in the fair value of the investment properties within the next 12 months. The Directors will therefore continue to review and assess the impact on a regular basis.

The significant accounting policies are set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

New Accounting Standards, amendments to existing Accounting Standards and / or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current year

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors there are no mandatory New Accounting Requirements applicable in the current year that had any material effect on the reported performance, financial position, or disclosures of the Company. Consequently, no other mandatory New Accounting Requirements are listed. The Company has not early adopted any New Accounting Requirements.

- Amendments to IAS 1 and IAS 8, "Definition of Material" - effective for accounting periods commencing on or after 1 January 2020 (early adoption is permitted)
- Amendments to IFRS 3, "Definition of a Business" - effective for accounting periods commencing on or after 1 January 2020 (early adoption is permitted)

In the Directors' opinion, application of these amendments did not have an impact on the Company's financial statements.

- Amendment to IFRS 16, "Covid-19-Related Rent Concessions" - effective for accounting periods commencing on or after 1 June 2020 (early adoption is permitted)

In the Directors' opinion, Amendment to IFRS 16 has no material impact on the recognition, measurement or disclosures in the Company.

Non-mandatory New Accounting Requirements not yet adopted

The following applicable New Accounting Requirement has been issued. However, this New Accounting Requirements is not yet mandatory and has not yet been adopted by the Company. All other non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed.

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Income and cash flow statements

The Company presents its Statement of Profit or Loss and Other Comprehensive Income by nature of expense.

The Company reports cash flows using the indirect method.

The acquisition of investment property is disclosed as cash flows from investing activities because these are not the primary business activities of the Company.

Investment property

Investment property comprises of property that is not occupied by the Company and is held to earn rental income. The Directors have elected to adopt the "fair value model" as defined under IAS 40 Investment Property. Property held under a lease is classified as investment property when the definition of an investment property is met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Investment property - (continued)

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the expenditure can be reliably measured. All other repairs and maintenance costs are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

Subsequent to initial recognition, investment property is stated at fair value. The investment property held relates to reversionary interests in freehold land and have been valued based upon a discounted cash flow model. Gains or losses arising from changes in the fair values are included in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they arise.

Cash and cash equivalents

For the purposes of these financial statements, cash comprises of cash in hand and demand deposits while cash equivalents are short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Receivables

Receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Given the nature of the receivables, however, and the short time involved between their origination and settlement, their amortised cost is the same as their fair value at the date of origination. The Expected Credit Loss model for measuring impairment loss introduced under IFRS 9 (Financial Instruments) does not have a material impact on the Company's receivables, due to these factors as well as the Company's power as landlord to forfeit the Lessee's lease, where required.

Payables

Payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method. Given the nature of the payables, however, and the short time involved between their origination and settlement, their amortised cost is the same as their fair value at the date of origination.

Loans payable

Loans payable are recognised initially at fair value net of attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost using the effective interest rate method.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and financial liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of a financial asset and financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Turnover

Turnover represents the value of ground rental income and recoverable expenses from properties, which are receivable for the year and accounted for on an accrual basis. Turnover arises solely within the United Kingdom.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Expenses

Expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis.

Taxation

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year-end date.

Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates; its functional currency. As all investments held by the Company and financing received by the Company are in British Pounds ("£"), this is considered to be the functional currency of the Company.

Monetary assets and liabilities are translated into £ at the rate of exchange ruling at the Statement of Financial Position date. Foreign exchange gains or losses resulting from settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised by the Company in the Statement of Profit or Loss and Other Comprehensive Income.

The financial statements of the Company are presented in £.

Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amount of the investment property asset. Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The investment property is valued using a discounted cash flow model. Annual valuations are undertaken by the Directors, and in assessing the periodic valuation, the methodology is to estimate future cash flows discounted to their present value over an estimated useful economic life, using pre-tax discount rates that reflect the current market assessment of the time value of money and the risks specific to the asset. By necessity a valuation requires subjective judgements that, even if logical and appropriate, they may differ from those made by a purchaser, or another party undertaking a valuation. With respect to the methodology adopted judgements and estimates were used primarily in estimating an appropriate discount rate.

The investment property assets held relate to reversionary interests in freehold land. As such, these assets are in substance like financial investments as they generate income in the form of annual ground rents and other ancillary income streams.

The Company's investment properties are stated without adjustment at the value calculated by the discounted cash flow methodology. The Directors are satisfied that this is the best available estimate of the fair value of the Company's investment properties as at 31 March 2021 and 2020.

3. FINANCIAL RISK FACTORS

The Directors carry out the risk management function in respect of financial risks within the Company. Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting year. Financial risk comprises of market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The Company's financial assets and financial liabilities comprises of cash and cash equivalents, trade and other receivables, trade payables and borrowings that arise directly from its operations and investment properties.

Note that for the purpose of financial risk policies described below, trade and other receivables exclude prepayments while trade and other payables exclude deferred income. The figures disclosed in this section might therefore be different from amounts stated in other parts of the financial statements.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk through its investment property, as in the event of default by an occupational tenant in the property, the Company would suffer a rental income shortfall. The Directors believe that the Company does not have a concentration of credit risk as the Investment Property portfolio comprises of 1,507 units (2020: 1,507 units) let to different tenants.

Cash and cash equivalents of the Company are held with Coutts & Co Ltd ("Coutts") and Royal Bank of Scotland ("RBS"). The Company is not exposed to any significant credit risk arising from cash held with the counterparties primarily due to their credit ratings or previous experience and relationship with such counterparties. As at the year end, the Fitch's credit ratings for the banks were as follows:

	31 Mar 2021	31 Mar 2020
Bank	**Rating**	**Rating**
RBS	A-	A-
Coutts	Not rated	Not rated

The Company's maximum exposure to credit risk by class of financial asset is as follows:

	31 Mar 2021	31 Mar 2020
	£'000	£'000
Trade and other receivables	95	69
Cash and cash equivalents	23	256
	118	325

The fair value of cash and cash equivalents at 31 March 2021 and 2020 approximates the carrying value. Further details regarding trade and other receivables can be found in note 5. Trade and other receivables are fully recoverable.

Trade receivables by the Company provide long term, stable rated income and failure to pay can lead to forfeiture of the tenants' long term lease and a windfall gain to the freeholder. The Company has policies in place to monitor the credit quality of receivables on an ongoing basis.

3. FINANCIAL RISK FACTORS - (CONTINUED)

b) Liquidity risk - (continued)

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due or can only do so on terms that are materially disadvantageous.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Company's liquidity position is reviewed on a semi-annual basis by the Directors.

The table below summarises the Company's exposure to liquidity risk:

	31 Mar 2021	31 Mar 2020
	£'000	£'000
Financial assets - due within one year		
Trade and other receivables	95	69
Cash and cash equivalents	23	256
	118	325
Financial liabilities - due within one year		
Trade and other payables and loans due on demand	10,407	9,966

The Company has the benefit of confirmation from its ultimate parent company that the loan payable will not be demanded to the extent that the demand would jeopardise the ability of the Company to meet its other liabilities as they fall due.

c) Foreign exchange risk

The Company has no significant exposure to foreign currency risk as at 31 March 2021 and 2020 as it does not hold any foreign currency denominated assets or have any foreign currency denominated liabilites.

d) Price risk

The Company has no significant price risk as at 31 March 2021 and 2020. It is not exposed to price risk with respect to financial instruments as it does not hold any marketable financial instruments.

e) Interest rate risk

The Company has no significant interest-bearing assets.

The Company entered into a fixed rate loan payable to its ultimate parent company, with interest payable at a rate of 4.7% per annum until 25 March 2020, with stepped increase every five years thereafter until 2030 (as detailed in note 7). The interest rate applicable after 25 March 2020 until 25 March 2025 is 5.25% per annum. The shareholder loan payable to the ultimate parent company bears interest at the rate of 6.5% per annum and is repayable on such dates as agreed between Promenade Finance DAC and the Company (as detailed in note 6). The Company has received confirmation that repayment will not be demanded to the extent that the demand would jeopardise the ability of the Company to meet its liabilities as they fall due. In the event that the Company cannot fully pay Shareholder Loan interest due. thus the Shareholder Loan Agreement allows for these amounts to be capitalised.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

3. FINANCIAL RISK FACTORS - (CONTINUED)

f) Sensitivity analysis

IFRS 7 requires disclosure of 'sensitivity analysis' for each type of market risk to which the entity is exposed to at the reporting date, showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date. See note 4 for sensitivity analysis on investment property.

The Company does not have significant variable exposure to interest rate, price or foreign exchange risk and therefore no sensitivity analysis for these risks has been disclosed.

4. INVESTMENT PROPERTIES

The Company's investment property comprises 1,507 units let out to tenants (2020: 1,507 units) and was valued on 31 March 2021 at £20,590,885 (2020: £17,226,475). The Investment property held comprises a portfolio of reversionary interests in freehold land and have been valued based upon a discounted cash flow model.

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instrument and does not necessarily correspond to the Company's perceived risk inherent in such financial instrument.

Details of the Company's investment properties and information about the fair value hierarchy as at 31 March 2021 and 2020 are as follows:

31 March 2021	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**
Investment properties located in the UK	-	-	20,591

31 March 2020	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**
Investment properties located in the UK	-	-	17,227

4. INVESTMENT PROPERTIES - (CONTINUED)

Reconciliation of Level 3 items :	31 Mar 2021	31 Mar 2020
	£'000	£'000
Opening balance	14,934	14,954
Fair value adjustment on revaluation of investment properties	5,657	2,293
Disposals during the financial year	-	(20)
Closing balance	20,591	17,227

There were no transfers in or out of Level 3 during the financial year.

The most significant unobservable input relates to the discount rates used. The discount rates are estimated to reflect current market assessment of the time value of future cash flows and the risks specific to the asset. At 31 March 2021, the discount rate used was the same as for previous years. At the 31 March 2020 the projected rate of inflation was lower than previous years, reflecting the effects of Covid-19 on global economies and the quantitative easing policies taken by governments to mitigate this. This contributed to a sizeable fall in the estimated value of future cash flows and hence to the fair value of the investment properties. At 31 March 2021 the projected rate of inflation had recovered to pre-Covid-19 levels. As a result, the estimated value of future cash flows increased significantly from the prior year and this increase is reflected in the fair value of the investment properties at the year end.

The following sensitivity analysis has been performed by management, with all other things being equal:

An increase in the discount rate of 0.05% would result in a reduction in the portfolio valuation by £355,215 (2020: £270,749).

A decrease in the discount rate of 0.05% would result in an increase in the portfolio valuation by £365,534 (2020: £278,152).

5. RECEIVABLES

	31 Mar 2021	31 Mar 2020
Due within one year	£'000	£'000
Trade receivables	51	48
Other receivables	44	21
	95	69

6. PAYABLES

	31 Mar 2021	31 Mar 2020
Due within one year	£'000	£'000
Trade payables	2	4
Amounts due to ultimate parent - shareholder loan	10,076	9,651
Amounts due to parent company - senior loan	87	81
Accruals and deferred income	242	230
	10,407	9,966

On 30 September 2019, the Company entered into a Shareholder Loan Agreement with Promenade Finance DAC, for an amount up to £9,651,104 or such other amount as may be agreed from time to time, in order to partially refinance the existing facilities and future funding requirements of the Company. Interest is payable semi-annually on 25 March and 25 September at a rate of 6.5% per annum. The loan is repayable on such dates as agreed between Promenade Finance DAC and the Company. The amount outstanding at year end was £10,076,104 (2020: £9.651.104).

6. PAYABLES - (CONTINUED)

In the event that the Company cannot fully pay Shareholder Loan interest due, thus the Shareholder Loan Agreement allows for these amounts to be capitalised. This resulted in an increase of the loan balance of £425,000 (2020: £421,773).

On 30 September 2019 the Company entered into a Senior Refinancing Facility Agreement with Promenade Finance DAC as detailed in note 7. The Company makes amortisation repayments semi-annually on the Interest Payment Dates in accordance with an Amortisation Schedule. Amortisation payments due in the next 12 months amount to £87,489 (2020: £80,998) and the total loan outstanding balance at year end amounted to £5,868,874 (2020: £5,949,872).

Interest expense on both of the above loans amounting to £945,068 (2020: £826,445) has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

7. LOANS PAYABLE

	31 Mar 2021 £'000	31 Mar 2020 £'000
Amounts due to ultimate parent - senior loan	5,782	5,869

On 30 September 2019 the Company entered into a Senior Refinancing Facility Agreement with Promenade Finance DAC for the sum of £5,988,502 or such higher amount agreed by Promenade Finance DAC from time to time, in order to partially refinance the existing facilities and future funding requirements of the Company. Interest is payable semi-annually on 25 March and 25 September at a rate of 4.7% per annum until 25 March 2020, with stepped increases every five years thereafter until 2030. The interest rate applicable after 25 March 2020 until 25 March 2025 is 5.25% per annum. The Company makes amortisation repayments semi-annually on the Interest Payment Dates in accordance with an Amortisation Schedule. The balance of this loan payable after 12 months amounted to £5,782,149 (2020: £5,868,874) and the outstanding balance at the year end amounted to £5,868,874 (2020: £5,949,872).

8. TAXATION

The Company is a resident company assessed to income tax in the UK on UK rental income. The charge to UK corporation tax on ordinary activities for the year was £nil (2020: £nil).

	1 Apr 2020 to 31 Mar 2021 £'000	1 Apr 2019 to 31 Mar 2020 £'000
Factors affecting the tax charge		
Profit on ordinary activities before tax	2,803	1,855
UK Corporation tax at 19% (2020: 19%)	533	352
Effect of:		
Unutilised losses carried forward	-	(352)
Disallowable expenditure	15	-
Non-trade loan relationships	180	-
Non-taxable income	(645)	-
Utilised losses	(83)	-
Current tax charge	-	-

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

8. TAXATION - (CONTINUED)

The Company had un-provided losses carried forward of £nil (2020: £nil) available for utilisation against future trading profits. These losses have not been recognised as recoverability is dependent upon sufficient future taxable trading profits against which to offset the loss.

9. SHARE CAPITAL

	31 Mar 2021	31 Mar 2020
	£	£
AUTHORISED, ISSUED AND PAID:		
2 ordinary shares of £1 each	2	2

10. RELATED PARTY DISCLOSURES

C.M Warnes and C.S Bidel are Directors of the Company as well as Directors of wholly-owned subsidiaries of Sanne Fiduciary Services Limited ("SFSL") and hold a financial interest in Sanne Group PLC, an entity listed on the London Stock Exchange which is the beneficial owner of SFSL. A.L Jeffery is also a Director of the Company. SFSL provides administrative services to the Company at commercial rates. Administration fees of £37,771 (2020: £28,354) were payable to SFSL in respect of the year ended 31 March 2021, of which £1,470 (2020: £1,126) was outstanding at the year end. Other related party transactions are detailed in notes 6 and 7.

There were no director fees due to the Directors during the prior or current years.

11. DEFERRED TAXATION

Management has determined that there were no deferred tax assets or liabilities as at 31 March 2021 (2020: £nil).

12. CONTROLLING PARTY

The Company's immediate parent company is Adriatic Land 9 Limited. The ultimate controlling party is Promenade Finance DAC, which is incorporated in Ireland. The Company's results have been consolidated into the consolidated financial statements of Promenade Finance DAC and copies of these are available at Fourth Floor, 76 Lower Baggot Street, Dublin 2, Ireland.

13. CONTINGENCIES AND COMMITMENTS

Lease Variation for Doubling Ground Rents

On 25 April 2019, during its AGM, Taylor Wimpey, the LSE listed house building company, provided an update on the Ground Rent Review Assistance Scheme announced in April 2017 and for which a provision of £130m was set aside. The scheme was established to deal in particular with leases which provide for the ground rent to double every 10 years until the 50th year. The provision was a reaction to growing pressure from the media and customers of Taylor Wimpey, whom had petitioned that the leases with the 10 year doubling clauses were unequitable and significantly out-of-line with typical terms whereby increases in ground rent leases are linked to RPI. Taylor Wimpey stated in its annual reports that agreements had been reached with freeholders representing 95% of leases concerned, which would allow qualifying customers to vary their ground lease terms.

The Company has leases within its portfolio, which originated from Taylor Wimpey and has engaged with Taylor Wimpey to vary the terms of leases held by the Company, which are relevant to the scheme. The variation of such leases is ultimately for the benefit of the underlying lessees contracted to leases originally written by Taylor Wimpey, but now owned by the Company.

13. CONTINGENCIES AND COMMITMENTS

Lease Variation for Doubling Ground Rents - (continued)

The Company also holds leases originated by other house builders and developers with similar doubling clauses included. The Company through its Property Manager, in its role as servicer, has worked with these house builders and developers to reach a workable solution for the affected leaseholders, and it is noted that the Property Manager is a lead signatory to the Public Pledge to Leaseholders (https://www.gov.uk/government/publications/leaseholder-pledge/public-pledge-for-leaseholders). This is a public commitment to vary all leases for homeowners with 10 or 15 year doubling ground rents, with or without assistance from those who originally created the leases. In almost all cases there is a cost to enacting such variations, which are reflected in the valuation of the investment property.

The Company continues to process customers' requests for variation of lease terms and also liaise with Taylor Wimpey to recover applicable fees. An estimate of the potential financial impact of such arrangements to the Company is £1,189,009 and the timing of the outflows depend on when customer requests are received and the duration of the legal procedures involved, which might vary for each customer.

On 28 February 2020, following a period of investigation into potential breaches of consumer protection law in the leasehold housing market, the Competitions Market Authority ("CMA") issued an interim report into Leasehold Housing. They cited that they were "concerned that leasehold homeowners have been unfairly treated and prospective buyers misled by housing developers". The report covers three key areas Ground Rent, Mis-selling and "Permission Fees and Service Charges". The Company and Property Manager were asked to give evidence to the CMA in August 2019, and it cooperated fully with this evidence gathering exercise. Both the Company and Property Manager engaged with expert legal counsel to assist, and they retain counsel for any further engagement with the CMA. The Company will continue to liaise with the CMA, but take necessary actions to preserve investment value.

Combustible Materials in External Wall Systems (EWS) and Building Safety

As a continuation of the work started in previous years, the Company has continued to follow the Government's issued guidance on EWS and building safety generally, as an owner of private residential property. The Company has worked with the Property Manager, which has pursued ongoing work to identify and assess buildings classed as "high-rise" (18M+ in height) with EWS materials categorised as unsafe, and ensure these can benefit from the Government funding offered under the Private Sector ACM Cladding and Building Safety ("BSF") Remediation Fund's. The BSF funding offered by Government was extended to £5Bn in February 2021.

High-rise buildings with combustible EWS materials

All BSF eligible buildings across the Company's portfolio for which the Company is the Responsible Entity to apply for public funding and remediate EWS were registered for the BSF by the deadline of 31 July 2020. Separately, through engagement with third party Residential Management Companies ("RMCs") and other entities the Property Manager has monitored details of other buildings registered for the BSF, and the progress of third parties in progressing those applications.

The Property Manager has continued to work closely with directly appointed managing agents and appointed expert surveyors and other professional consultants engaged to progress BSF applications and scope remedial works projects. The Property Manager has engaged Irwin Mitchell LLP to act for the Company, both in negotiating the terms of a formal BSF Funding Agreement, and also to advise on and produce Deeds of Appointment and Contracts for the professional consultants and selected building contractors.

13. CONTINGENCIES AND COMMITMENTS - (CONTINUED)

Lease Variation for Doubling Ground Rents - (continued)

High-rise buildings with combustible EWS materials - (continued)

The Property Manager has instructed all directly appointed managing agents to (a) ensure that overall EWS remediation costs are protected for service charge recovery purposes (without enforcing payment so far) to guard against shortfalls or BSF funding delays, whilst protecting the Company's reputation; (b) take protective legal measures through external solicitors approved by the Property Manager to both preserve service charge recoverability and pursue any third parties who may be responsible for EWS and other construction defects identified on any building. Exploring such third-party claims is a condition of access to BSF funding for eligible buildings.

Separately, the Property Manager and the directly appointed managing agents have also applied for funding for eligible buildings to the £30M Waking Watch Relief Fund unveiled in December 2020, in order to pay for the installation of fire alarms to replace teams of fire marshals (waking watch), in order to mitigate the cost of interim safety measures.

The original deadlines for final fully costed BSF applications on all eligible buildings and works to start on site were 30 June and 31 September 2021 respectively. These deadlines were extended on a case-by-case basis by the Ministry of Housing, Communities & Local Government ("MHCLG") and the Property Manager has worked with the appointed professional teams to ensure extension requests were lodged.

The Property Manager is working with a collective group of investor freeholders and major managing agents, spearheaded by the Association of Residential Managing Agents ("ARMA") to negotiate changes to the BSF Funding Agreements produced by MHCLG, in order to protect the Company from onerous obligations and the risk of liabilities. As of 15 September 2021 there were still key terms under negotiation.

The Property Manager has continued to add specialist technical expertise and resource to help manage these issues, by recruiting a further Fire Safety Advisor and a construction lawyer, as well as a chartered building surveyor to the teams handing building safety issues.

Buildings below 18M and other safety and construction defects

The Company has continued, through the Property Manager, to build a risk profile of the buildings in its portfolio outside the high-rise bracket, and with any safety defects not so far eligible for public funding. The Property Manager has identified a number of buildings with risk issues which are being actively monitored, and where required necessary safety measures based on expert advice implemented.

The Company and Property Manager are assessing the impact of new and incoming legislation as part of the post-Hackitt review reforms: the Fire Safety Act 2021 and the Building Safety Bill 2020-21. The Property Manager is reviewing necessary additional resource and procedural changes that may be required to address fire and building safety issues under a new regulatory regime, as well as enhance its monitoring and oversight of the managed portfolio generally. This involves ongoing industry engagement and consultation across a number of professional and representative bodies.

Leasehold Reform

In general it is noted that all work streams surrounding Leasehold Reform were severely impacted and delayed by Government's response to the Covid-19 pandemic. The Ministry of Housing, Communities and Local Government ("MHCLG") were heavily involved in the emergency response. This is notable in the advancement of certain areas of reform.

13. CONTINGENCIES AND COMMITMENTS - (CONTINUED)

Ground rent

Government introduced a bill (LEASEHOLD REFORM (GROUND RENT) BILL) into the House of Lords on 11 June 2021, the bill is currently awaiting to pass through the Commons and is aimed at new leases and not existing lease thus these proposals are not expected to have a significant impact on the Company. The Directors will continue to monitor any policy implications of these publications and the potential impact on the Company.

Enfranchisement

On 8 January 2020, the Law Commission published a report in response to a consultation, titled "Leasehold home ownership: buying your freehold or extending your lease Report on options to reduce the price payable". This report discusses a number of options into reducing the price paid by leaseholders to enfranchise (including extending their lease). The Property Manager responded to the consultation extensively.

On the 7 January 2021, the Secretary of State (MHCLG) formally responded to the Law Commissions report of January 2020 by way of a press announcement (https://www.gov.uk/government/news/government-reforms-make-it-easier-and-cheaper-for-leaseholders-to-buy-their-homes). These announcements committed Government to making a series of changes to legislation that would make the cost of enfranchisement cheaper for a leaseholder. There was no detail released on how these reforms would be implemented, and as a result the Company is not able to establish the likely financial impact. Once further detail is announced, the Company will assess the financial impact to the investment value of the property. The Property Manager is in dialogue with other industry stakeholders and also MHCLG to ensure the Company is represented fully.

Commonhold

On 21 July 2020 the Law Commission published further reports for the reform of existing legislation on enfranchisement, the right to manage ("RTM"), and commonhold, as an alternative form of residential tenure to leasehold.

On 13 May 2021, MHCLG announced the formation of the Commonhold Council an advisory panel of leasehold groups and industry experts who will inform the government on the future of this type of homeownership. It is accepted that the process of implementing Commonhold and converting Leasehold to Commonhold will be a huge challenge for all stakeholders. Reforms in this area have not advanced much beyond the Law Commission's report and the establishment of the Commonhold Council.

The Company will continue to assess the impact of these reforms, with particular attention paid to converting leasehold to commonhold. At this time the Company cannot comment on likely impact due to absence of detailed policy.

COVID-19

In early 2020, the existence of COVID-19 was confirmed and has since spread globally. COVID-19 has caused disruption to businesses and economic activity which is reflected in recent fluctuations in global markets. From an operational perspective, while safeguarding the wellbeing of all employees, customers and ensuring operational effectiveness, all servicing partners engaged to manage the operations of the Company have been able to successfully implement business continuity plans and have mobilised remote working models to ensure there has been no loss of service to the Company.

The Directors are confident that COVID-19 has had no material financial impact on the Company to date. However, given the inherent uncertainties, there is a risk that future developments could lead to a material change in the fair value of the investment properties within the next 12 months. The Directors will therefore continue to review and assess the impact on a regular basis.

13. CONTINGENCIES AND COMMITMENTS - (CONTINUED)

Brexit

The UK officially left the EU on 31 January 2020 ("Brexit"); however, under the agreed transitional arrangements, all relevant rules and regulations remained in place until 31 December 2020, making this latter date the UK's "effective Brexit date". UK is not a member of the European Union ("EU") and is therefore treated as a non-EU jurisdiction or "third country" by the EU. It is currently anticipated that UK's relationship and status as a "third country" in respect of the EU will both remain largely unchanged after the UK's effective Brexit date.

It is currently not possible to forecast with certainty how the value of, or the cash flows arising from, the Company's assets might be affected by Brexit. It is also currently not possible to forecast with certainty how UK's future relationship with the EU will be affected by Brexit but, the Directors currently anticipate that UK's future relationship with the EU will be largely unchanged in respect of the activities carried out by the Company, at least for the foreseeable future.

14. SUBSEQUENT EVENTS

There were no subsequent events requiring adjustment or disclosure at the date of approval of these audited financial statements.

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 14 December 2021.