Company Registration Number 8932809

Akelius UK Three Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2019

Contents

Company Information

Directors	**Mr L Synnes** **Mr A Speller** **Mr R Spann (resigned 22 May 2020)** **Mr F Gustavsson (appointed on 27 November 2019)** **Mr J Milewicz (appointed on 22 May 2020)**
Registered Number	***8932809***
Registered office	**10 Bloomsbury Way** **London** **WC1A 2SL**
Company Secretary	**Mrs T Prickett**
Independent Auditors	**Ernst & Young LLP** **1 More London Place** **London** **SE1 2AF**
Bankers	**Danske Bank** **75 King William Street** **London** **EC4N 7DT**
Solicitors	**Bond Dickinson LLP** **St Anne's Wharf** **112 Quayside** **Newcastle-upon-Tyne** **NE1 3DX**

The directors present their strategic report for the year ended 31 December 2019.

Business review

Akelius UK Three Limited ("the Company") has had a satisfactory year, despite a value decline of 0.5 per cent (2018: growth of 6.9 per cent), while rental growth declined 0.7 per cent (2018: 0.7 per cent declined). The company's mission is to provide current and future tenants with a better living by continuously upgrading its buildings and service. The company takes a long-term view of all of its investments.

At the end of the year, the net assets totalled £4,057,222 (2018: £3,967,054). In the year, the company had turnover of £340,581 (2018: £307,795) and recognised a profit for the financial year of £90,168 (2018: £553,390).

The company's key financial and other performance indicators during the year were as follows:

	Unit	2019	2018
Turnover	£	340,581	307,795
Operating profit	£	264,382	204,459
Operating profit	% of turnover	77.6	66.4
Value growth	% of cost	-0.5%	6.9%
No. of apartments owned	No.	14	14
Average rent per month	£/sq ft	3.01	3.03

The directors do not consider that there are any other non-financial Key Performance Indicators.

Principal risks and uncertainties

Market risk

The company is affected by macro-economic factors and by market conditions in London in particular. Deterioration in the wider economy could suppress demand and have a consequent impact on rental income and vacancy. Lower rents and higher vacancy would in turn impact on property values.

By cherry-picking its investments, the company ensures that all properties acquired meet strict investment criteria. Properties with refurbishment potential in metropolitan areas with high demand and population growth limit exposure to market risk. The company focuses on residential property as the returns are less volatile than for commercial property. The company also focuses its activities on London, which is a market that has proven more robust to wider economic factors than other areas in the United Kingdom.

Impact of Brexit

Brexit continues to cause uncertainty in the UK. From a risk perspective, the main impact of Brexit is on macro-economic, property investment and tax and regulatory risks. The absolute impact will be dependent on the timing and terms of the UK's exit from the EU.

The company has maintained dialogue with key suppliers to understand and mitigate risks to operational and construction supply chains.

Impact of Brexit (continued)

To date, the directors have not observed significant adverse factors. The company continues to monitor potential risks. The directors believe the long-term prospects in the UK remain strong and are confident that any negative impact of Brexit is likely to be restricted to the short-term.

COVID-19

The COVID-19 outbreak has developed rapidly in 2020. Measures taken by various governments to contain the virus have affected economic activity around the world. While governments and central banks have reacted with monetary interventions designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

We expect that the most significant potential impact on our financial results and cashflows resulting from COVID-19 would be in relation to disruption in supply chains, consumer demand and personnel available for work and or being able to access offices. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as health and safety measures for our employees like social distancing and working from home.

At this stage, the impact on our business and results is limited. The Government's furlough scheme mitigated potential significant rent losses. At the first half of 2020, there was no bad debt directly related to tenants' inability to pay their rent as a direct consequence of the COVID-19 outbreak.

We will continue to follow the various government policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our employees and tenants.

At the end of March 2020, the company decided to stop the majority of investments including apartment upgrades during the lockdown. Since then, investment activity has resumed but the company has reconsidered the level of investments to be undertaken during 2020. Lower investments results in improved cash flow and higher financial resilience.

The Company has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through to the date of the financial statements were available to be issued. At present, the Directors note that the valuation of the investment properties held may be lower in comparison to their values recorded at 31 December 2019 due to COVID-19. However, quantifying the value of this decrease remains uncertain and no reliable estimates can be made as at the signing date.

We also refer to note 2 and our Going concern assessment.

Property valuations

Property valuations are inherently subjective and could lead to volatility in the company's profit and loss account.

The Director value the properties on a quarterly basis. The group uses external valuers to value each property over a three year cycle and consider the outcome of these when carrying out their valuations.

Interest rate risk

The immediate parent company pays interest on amounts due to other group companies based on a mix of fixed and floating market rates, which is re-charged to the company. The majority of the group company loans are at fixed rates. The company is still exposed to a certain extent to interest rate risk through fluctuations in base rates, although this is considered a low risk.

Section 172 statement

The Directors, both individually and collectively, consider that they have acted in good faith to promote the long term success of the company for the benefit of its members as a whole.

Akelius believes that the building of sustainable relationships with its tenants, suppliers and investors creates long-term value for all parties. Each of the Directors is mindful of their duties under section 172 and the impact their decisions have on the Company's stakeholders.

Set out below are some examples of why and how the Directors have considered section 172 in their decision making.

Customers

Our tenants are our principal customers. Akelius restores and modernises buildings with the aim to extend the properties' lifetime and to provide a better living to our tenants.

An increasing number of people want to live in urban environments, in walkable locations, and in energy efficient and attractive apartments.

When evaluating properties, the directors consider, amongst other things, the walk score which is the rating of how easy it is to complete daily errands without a car. Locations are rated on a scale from 0 to 100, where 100 is the best. The average walk score for our London properties in 2019 is 86. A high walk score index creates possibilities for a healthier and more sustainable lifestyle.

In order to be able to directly manage the level of service we provide, our service centre was brought in-house in 2018. The directors review service levels on a regular basis, as well as monitoring the integrity of the service we provide to our tenants.

During 2019, 98.8 percent of all incoming calls were answered within 60 seconds by the service center. The service center answered 38,719 calls with an average queue time of 7 seconds.

During 2019, the directors set the following customer service targets to be achieved by 2025:

- 20 percent improvement in customer satisfaction

Investors

Akelius focuses on properties with the ability to generate a long term and stable return. Growth rates in revenue and Net operating income, together with low average vacancy periods are important indicators for high profitability and low risk in real estate.

Our net operating profit increased by 24 percent in 2019 compared to 2018 and we maintained zero real vacancy.

An important keystone for our long term future success is increased digitalisation of our business. Akelius develop tailormade applications in-house to aid efficiency and service levels.

One example of such application is the Inspection Application, which went live in London during 2019. The application increases efficiency in the property inspection process. Inspections are sent digitally to internal systems or subcontractors. It replicates the paper-based checklist and allows the use of a smartphone to record inspection data, capture defects and take photographs.

Environment and community

Being sustainable is on the top of most companies' agendas. It is not only an honourable thing to do, it is also the path to long-term success.

In 2016 the directors set a target of a 10 percent reduction of energy consumption by 2020 for all residential units. Data collected up to 2019 implies we are on track to meet this target.

During 2019, the directors also set the following long-term environmental targets to be achieved by 2025:

- 50 percent reduction in intensity of greenhouse gas emissions;
- 15 percent reduction in energy consumption;
- 5 percent increase in the amount of reused components and;
- recycling facilities in all properties.

The charitable organisation Akelius Foundation holds 80 percent of our parent company, Akelius Residential Property AB. Dividends received by Akelius Foundation are donated to people in need, education or other humanitarian, philanthropic projects. During the past 10 years, the foundation has donated more than EUR 100m to organizations such as SOS Children's Villages, Doctors Without Borders and UNICEF.

During November and December 2019 Akelius Foundation launched an initiative to match all donations to SOS Children's Villages, Doctors Without Borders and UNICEF during the last two months of 2019. The four organizations received EUR 29.9m which Akelius matched with a further EUR 29.9m.

Suppliers

We are an esteemed employer and trustworthy partner to our tenants and suppliers with a responsibility to act honestly and ethically.

Suppliers (continued)

We honour our Code of Conduct, which sets out the following commitments to:

- respect the rule of law and act in accordance with laws and regulations in all countries where we do business;
- conduct business with integrity and honesty;
- act in an environmentally and socially sustainable manner and;
- continuously develop the safety and quality of our services.

Our Code of Conduct applies to all our Board members, management, employees, suppliers, business partners, sub-contractors and customers. We expect equivalent standards of conduct from all individuals and organisations acting on our behalf.

We treat our suppliers well and ensure that they are paid in a timely manner in return for the services they provide. On average we pay our invoices within 24 days of the invoice date. The directors are committed to further improve this during 2020.

Akelius is committed to reduce and mitigate health and safety risks. During property visits, the directors often get the chance to meet with the contractors and to see the Health and Safety measures in place. During 2019 we had zero reported accidents at our project sites.

Approved by the board of Directors on 23-Dec-2020 and signed on their behalf by

ANDREW SPELLER

....

Mr A Speller
Director

23-Dec-2020

....

Date

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

Principal activities

The principal activity of the company is investment in residential property.

Results and dividends

The profit for the financial year amounted to £90,168 (2018: £553,390). The directors do not recommend payment of any dividends (2018: £nil).

Directors

The following were directors throughout the year, and up to the date of reporting:

Mr L Synnes
Mr A Speller
Mr R Spann (resigned 22 May 2020)
Mr F Gustavsson (appointed on 27 November 2019)
Mr J Milewicz (appointed on 22 May 2020)

Financial instruments

Objectives and policies

The company is supported by the treasury department of a group company, Akelius Residential Property AB, who give advice on managing the financial risks the company is exposed to.

Price risk, credit risk, liquidity risk and cash flow risk

The company's principal financial instruments comprise rents receivable, trade creditors and loans. The main purpose of these instruments is to finance the business's operations.

In respect of borrowings, advice on the financial risks is provided by Akelius Residential Property AB's group treasury department, and the company closely monitors appropriate balances and ensures all such risks are mitigated to an acceptable level.

Rents receivable are managed by the immediate parent company, Akelius Residential Limited, a property management company, which manages the credit risks through use of appropriate financial references, rent deposits and regular monitoring of amounts outstanding. The amounts presented in the statement of financial position are net of allowances for doubtful debtors.

Creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Future developments

The company will continue to cherry-pick suitable investment opportunities in the forthcoming year while upgrading existing properties to provide tenants with a better living, particularly in light of macroeconomic risks faced due to Brexit and COVID-19.

Qualifying third-party and pension scheme indemnity provision

A qualifying third-party indemnity provision and/or qualifying pension scheme indemnity provision has not been put in place for directors of the company at the date of approval of the directors' report.

Going concern

The company has net current liabilities as at 31 December 2019 and is reliant on the support of its parent company, Akelius Residential Property AB, which has provided finance to the company when required to assist in the purchase of investment properties and to provide working capital. The parent company has confirmed its continuing support to the company for a period of at-least twelve months from the date of approval of these financial statements. The directors are therefore confident that the company will have adequate resources to continue in existence for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The going concern review period evaluated by management for the company runs from the signing date of these financial statements through to 31 December 2021.

Political donations and political expenditure

The company made no political or charitable donations during the year (2018: £nil).

Section 172 Statement

This Directors' Report and the Strategic Report confirm compliance with the obligations set out in section 172(1) of the Companies Act 2006.

Provision of information to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Appointment of auditors

Ernst & Young LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be presented at a General Meeting.

Approved by the board of directors on 23-Dec-2020 and signed on their behalf by

ANDREW SPELLER

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Mr A Speller
Director

23-Dec-2020
....
Date

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Akelius UK Three Limited

Opinion

We have audited the financial statements of Akelius UK Three Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Disclosures in relation to the impact of COVID-19

We draw attention to Note 2 and Note 19 of the financial statements, which describe the financial and operational disruption the Company is facing as a result of COVID-19 which is impacting its supply chains, consumer demand and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

Other information (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Ernst & Young LLP

David Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 24 December 2020

Akelius UK Three Limited
Statement of Comprehensive Income

For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	5	340,581	307,795
Cost of sales		(62,671)	(83,708)
Gross profit		277,910	224,087
Administrative expenses		(13,528)	(19,628)
Operating Profit	6	264,382	204,459
Revaluation gain/(loss) on investment property	12	(44,547)	614,693
Interest payable and similar expenses	9	(105,860)	(139,664)
Profit before taxation		113,975	679,488
Taxation	10	(23,807)	(126,098)
Profit for the financial year		90,168	553,390
Total comprehensive income for the year		90,168	553,390

All amounts relate to continuing operations.

The notes on pages 18 to 27 are an integral part of these financial statements.

Akelius UK Three Limited
Statement of Financial Position

As at 31 December 2019

	Note	2019	2018
		£	£
Fixed assets			
Tangible assets	11	6,705	9,859
Investment properties	12	9,444,113	9,485,208
		9,450,818	9,495,067
Current Assets			
Debtors: falling due within one year	13	838,018	845,522
		838,018	845,522
Creditors: Amounts falling due within one year	14	(5,907,948)	(6,042,296)
Net current liabilities		(5,069,930)	(5,196,774)
Total assets less current liabilities		4,380,888	4,298,293
Provision for deferred tax	15	(323,666)	(331,239)
NET ASSETS		4,057,222	3,967,054
Capital and reserves			
Called up share capital	16	1,400,001	1,400,001
Retained earnings		2,657,221	2,567,053
Total Equity		4,057,222	3,967,054

The notes on pages 18 to 27 are an integral part of these financial statements.

The financial statements on pages 15 to 27 were authorised for issue by the board of directors on .23-Dec-2020..... and were signed on its behalf.

ANDREW SPELLER
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Mr A Speller
Director

Akelius UK Three Limited
8932809

Akelius UK Three Limited
Statement of Changes in Equity

Year Ended 31 December 2019

	Called-up share capital £	Retained Earnings £	Total equity £
As at 1 January 2019	1,400,001	2,567,053	**3,967,054**
Comprehensive income for the year	-	90,168	**90,168**
Balance as at 31 December 2019	1,400,001	2,657,221	**4,057,222**

	Called-up share capital £	Retained Earnings £	Total equity £
As at 1 January 2018	1,400,001	2,013,663	**3,413,664**
Comprehensive income for the year	-	553,390	**553,390**
Balance as at 31 December 2018	1,400,001	2,567,053	**3,967,054**

1. General information

Akelius UK Three Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in England. Its registered office is 10 Bloomsbury Way, London, WC1A 2SL.

The company's principal activity is investment in and letting of residential property. The financial statements were approved by the Board of Directors on 23-Dec-2020

The financial statements are prepared in sterling which is the functional and presentation currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

2. *Basis of preparation and statement of compliance*

The individual financial statements of Akelius UK Three Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

Exemptions for qualifying entities under FRS 102

The company has taken advantage of certain disclosure exemptions under FRS 102 on the basis that it is a qualifying entity. The shareholders have been notified and did not object to the use of the disclosure exemptions. These exemptions are:

(i) the requirement to prepare a statement of cash flows. The company's cash flows are included in the consolidated statement of cash flows prepared by its parent company; and

(ii) the non-disclosure of key management personnel compensation in total.

Going concern

The company has net current liabilities as at 31 December 2019 and is reliant on the support of its parent company, Akelius Residential Property AB, which has provided finance to the company when required to assist in the purchase of investment properties and to provide working capital. The parent company has confirmed its continuing support to the company for a period of at-least twelve months from the date of approval of these financial statements. The directors are therefore confident that the company will have adequate resources to continue in existence for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The going concern review period evaluated by management for the company runs from the signing date of these financial statements through to 31 December 2021.

3. Accounting policies

Revenue recognition

Turnover, which consists of gross rental income from tenants residing in the company's investment properties arising in the period, is measured at the fair value of the consideration received or receivable, net of amounts written off relating to rents considered to be irrecoverable. Rents are recognised as income in the period in which they are earned. Rents received in advance are deferred to the appropriate period to which they relate – such deferred rents at the balance sheet date are included within creditors.

The company recognises revenue when the amount of revenue can be measured reliably, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities described above.

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3. Accounting policies (continued)

Revenue recognition (continued)
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless the lease payments are structured to increase in line with expected general inflation in which case the income is recognised as revenue in accordance with the expected payments.

Tangible assets
Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Fixtures and Fittings
Fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation on fixtures and fittings is calculated so as to write off the cost or valuation of an asset, less its residual value, over their estimated useful lives as follows:

Fixtures and fittings	- 4 years

On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in profit or loss.

Investment properties
Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including transaction costs. Subsequently investment properties whose fair value can be measured reliably without undue cost or effort on an on-going basis are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The investment properties include borrowing costs of £nil (2018: £nil).

For more information relating to the methods and significant assumptions applied in determining the fair value of the investment property, please refer to Note 12.

Financial instruments
(i) Financial assets
Basic financial assets, including trade and other receivables, and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

3. Accounting policies (continued)

Financial instruments (continued)
If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Taxation
Taxation expense represents the aggregate amount of current tax and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the period. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

3. Accounting policies (continued)

Taxation (continued)
Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

A deferred tax asset or liability is recognised for tax recoverable or payable in future periods in respect of transactions and events recognised in the financial statements of current periods.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. Timing differences result from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date apart from certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing differences. Deferred tax relating to land and investment properties that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset.

Called up share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Related party transactions
The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned utilising the exemption under FRS 102 paragraph 33.1A.

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

The directors have made key assumptions in the determination of the fair values of investment properties in respect of the state of the property market in the location where the properties are situated and in respect of the range of reasonable fair value estimates of the assets. The valuation method is further described in Note 12 together with the valuation of the properties at the reporting date.

5. Turnover

	Year Ended 31 December 2019 £	Year Ended 31 December 2018 £
Rental income - UK	340,581	307,795

6. Operating Profit

Operating profit is stated after charging :

	Year Ended 31 December 2019 £	Year Ended 31 December 2018 £
Audit fees payable to the company's auditors	2,148	8,281
Depreciation of fixtures and fittings	4,222	4,715
	6,370	12,996

7. Employees

The company does not have any employees apart from its directors.

8. Director's remuneration

The directors of the company are also directors of the wider Akelius Group. During the year, they were remunerated by the immediate parent, Akelius Residential Limited. The directors do not believe that it is practicable to apportion their emoluments between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

9. Interest payable and similar expenses

	Year Ended 31 December 2019 £	Year Ended 31 December 2018 £
Interest payable to group undertakings	105,860	139,664
	105,860	139,664

10. Taxation

	Year Ended 31 December 2019 £	Year Ended 31 December 2018 £
Current tax:		
UK tax on profit for the year	-	-
Payment/(receipt) for group relief	33,119	21,600
Adjustment in respect of previous years - group relief	(1,739)	-
Total tax on current profit	31,380	21,600
Deferred tax:		
Origination and reversal of timing differences	(7,573)	104,498
Total tax charge	23,807	126,098

10. Taxation (continued)

The taxation presented for the year is higher (2018: lower) than the standard applicable rate of tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	Year Ended 31 December 2019 £	Year Ended 31 December 2018 £
Profit before taxation	113,975	679,488
Profit multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	21,655	129,103
Effects of:		
Adjustment in respect of previous years - group relief	(1,739)	-
Difference in deferred tax rate	1,694	(11,398)
Utilisation of group relief	(33,119)	(21,600)
Corporate interest restriction	2,197	8,393
Payment/(receipt) for group relief	33,119	21,600
Total tax charge	23,807	126,098

Tax rate changes

Legislation was introduced in Finance Bill 2020 to repeal the previously enacted reduction to the main rate of corporation tax to 17%, thereby maintaining the current main rate of corporation tax at 19%. The reduction to 17% was previously introduced in Finance Act 2016. The deferred tax assets and liabilities reflect the rate substantively enacted at the balance sheet date of 17% (2018: 17%). The effect on the deferred tax assets and liabilities of the corporation tax rate remaining at 19% is £38,078.

11. Tangible assets

	Fixtures and Fittings	**Total**
	£	**£**
Cost		
At 1 January 2019	18,578	18,578
Additions	1,068	1,068
Disposals	(5,622)	(5,622)
At 31 December 2019	14,024	14,024
Accumulated depreciation		
At 1 January 2019	8,719	8,719
Charge for the year	4,222	4,222
Disposals	(5,622)	(5,622)
At 31 December 2019	7,319	7,319
Net book amount		
At 31 December 2019	6,705	6,705
Net book amount		
At 31 December 2018	9,859	9,859

12. Investment properties

	Property	**Total**
	£	**£**
Valuation		
At 1 January 2019	9,485,208	9,485,208
Capital expenditure	3,452	3,452
Revaluation	(44,547)	(44,547)
At 31 December 2019	9,444,113	9,444,113
At 31 December 2018	9,485,208	9,485,208

The investment properties were purchased in 2014. The fair value of the properties at 31 December 2019 has been arrived at on the basis of a valuation carried out at that date by the directors of the company who are not professionally qualified valuers but have extensive experience in carrying out internal valuations of properties in the wider Akelius Group and accordingly are considered to be competent valuers for this purpose.

All properties have been valued using the yield method, meaning each property is valued by discounting the estimated future cash flows, which is 3.5%. The estimated future cash flows are based on existing rental income and estimated operating and maintenance costs adjusted for expected changes in rental and vacancy levels. The property's fair value comprises the sum of the discounted cash flows during the calculation period and the residual value.

12. Investment properties (continued)

Future rental levels are based on actual rent, adjusted for potential rental growth, calculated from investments made in the properties as well as inflation. Vacancies are considered on the basis of the current vacancy situation for each individual property, adjusted to a market vacancy level taking into account the property's individual characteristics.

Operating and maintenance expenses are based on the estimations of the market level per the calculation period, adjusted for inflation. Property administration costs are assessed based on the average cost level.

The required yield is determined by adding the interest rates to risk premiums. The risk premium covers the market risk and the property-related risk based on the building's location and the prevailing supply and demand. The required yield is assessed, as far as possible, with reference to similar property transactions that have been completed on the market, as well with comparable properties.

It is the policy of the group that one third of the group's property portfolio is independently valued each year as check-and-balance against internal valuation. Allsop LLP were engaged to conduct these valuations. The valuation refelcted in the financial statements are per the directors' valuations.

The historical cost of investment property held is £6,814,857 (2018: £6,811,405).

The company leases out all of its investment properties under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2019 £	2018 £
Less than one year	230,325	231,305
Between one and five years	26,520	11,195

13. Debtors: falling due within one year

	2019 £	2018 £
Trade debtors	1,807	1,650
Less: provision for impairment of receivables	-	(449)
	1,807	1,201
Amounts owed by group undertakings	832,529	832,529
Other debtors	2,195	2,195
Prepayments and accrued income	1,487	9,597
	838,018	845,522

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. No interest is charged on group intercompany balances payable on demand.

14. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Trade creditors	3,754	14,242
Amounts owed to group undertakings	5,897,364	6,000,421
Other creditors	218	218
Accruals and deferred income	6,612	27,415
	5,907,948	6,042,296

Amounts owed to group undertakings includes intercompany loans repayable on demand. The immediate parent company pays interest on amounts due to other group companies based on a mix of fixed and floating market rates ranging from 1.9% to 4.9% per annum, which is re-charged to the company. All amounts are unsecured.

15. Provision for deferred taxation

	2019	2018
	£	£
Provision brought forward	331,239	226,741
Increase/(decrease) in provision	(7,573)	104,498
Provision carried forward	323,666	331,239

The amount for provisions for liabilities includes the following deferred tax liability by type of timing

	2019	2018
	£	£
Deferred tax liability on revaluation of investment properties	323,666	331,239
	323,666	331,239

16. Called up share capital

	2019	2018
Allotted, called up and fully subscribed	£	£
1,400,001 (2018: 1,400,001) ordinary shares of £1 each	1,400,001	1,400,001

Each share is entitled to one vote in any circumstances and each share is also entitled pari passu to dividend payments or any other distribution, including a distribution arising from a winding up of the company.

17. Related party transactions

The company is exempt from disclosing other related party transactions under FRS 102 para 33.1A as they are with other companies that are wholly owned within the group.

18. Controlling parties

The immediate parent undertaking is Akelius Residential Limited. This company heads the smallest group to consolidate these financial statements.

The ultimate parent undertaking and the largest group to consolidate these financial statements is Akelius Apartments Limited, incorporated in Cyprus. Copies of the financial statements of this company can be obtained from the Company Secretary, Akelius Apartments Limited, 101 Acropoleos Avenue 4th Floor, CY-2012 Strovolos, Nicosia, Cyprus.

The ultimate controlling party is The Akelius Foundation registered in the Bahamas.

19. Subsequent events

The COVID-19 outbreak has developed rapidly in 2020. Measures taken by various governments to contain the virus have affected economic activity around the world. While governments and central banks have reacted with monetary interventions designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

We expect that the most significant potential impact on our financial results and cashflows resulting from COVID-19 would be in relation to disruption in supply chains, consumer demand and personnel available for work and or being able to access offices. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as health and safety measures for our employees like social distancing and working from home.

At this stage, the impact on our business and results is limited. The Government's furlough scheme mitigated potential significant rent losses. At the first half of 2020, there was no bad debt directly related to tenants' inability to pay their rent as a direct consequence of the COVID-19 outbreak.

We will continue to follow the various government policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our employees and tenants.

At the end of March 2020, the company decided to stop the majority of investments including apartment upgrades during the lockdown. Since then, investment activity has resumed but the company has reconsidered the level of investments to be undertaken during 2020. Lower investments results in improved cash flow and higher financial resilience.

The Company has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through to the date of the financial statements were available to be issued. At present, the Directors note that the valuation of the investment properties held may be lower in comparison to their values recorded at 31 December 2019 due to COVID-19. However, quantifying the value of this decrease remains uncertain and no reliable estimates can be made as at the signing date.

We also refer to note 2 and our Going concern assessment.