

Company Number: 09343757

TOUCHPOINT HOUSING (OBR) LTD
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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CORPORATE INFORMATION

DIRECTORS

Richard Lang	(appointed 29 July 2019)
Andrew Sergeant	(appointed 29 July 2019)
Joseph Ruiz	(appointed 18 October 2019)
Sandra Whittmann	(appointed 18 October 2019)
Darren Mark Carter	(resigned 29 July 2019)
Jeffrey Bronheim	(resigned 18 October 2019)

REGISTERED OFFICE

Astiscus Building
21 Palmer Street
London
SW1H 0AD

ADMINISTRATOR

Sanne Group (UK) Limited
Astiscus Building
21 Palmer Street
London
England
SW1H 0AD

AUDITOR

Deloitte LLP
Gaspé House
66 - 72 Esplanade
St Helier
Jersey
JE2 3QT

TAX ADVISOR

Deloitte LLP
Athene Place
66 Shoe Lane
London
EC4A 3BQ

LEGAL ADVISOR

Simmons & Simmons LLP
CityPoint
One Ropemaker Street
London
EC2Y 9SS

BANKS

Santander UK Plc
19 - 21 Commercial Street
St Helier
Jersey
JE2 3RU

The Bank of New York Mellon
London Branch
One Canada Square
London
E14 5AL

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Touchpoint Housing (OBR) Ltd (the "Company") for the year ended 31 December 2019. The Company is taking advantage of the small companies exemption provided by section 414 B of the Companies Act 2006 from the requirement to prepare a Strategic Report.

INCORPORATION

The Company was incorporated in England and Wales on 5 December 2014 as a private company with limited liability under the Companies Act 2006.

PRINCIPAL ACTIVITIES

The purpose of the Company is to invest in real estate located in the UK, so as to increase the capacity of councils to deliver front line services. The investment objective of the Company is capital growth and income generation.

INVESTMENTS

On 9 March 2015, the Directors approved the acquisition of a Brownfield site located on Old Bedford Road, Luton and subsequent construction of 80 affordable rent flats, comprising of 32 one bedroom flats and 48 two bedroom flats (the "Luton properties"), to provide housing to vulnerable and disadvantaged households in Luton. The construction project was completed in November 2016 and the properties leased to Luton Borough Council and the units are now fully occupied.

RESULTS AND DIVIDENDS

The profit for the year amounted to £546,443 (2018: loss of £868,312). The Directors paid a dividend of £200,000 during the year (2018: £100,000).

BUSINESS REVIEW

The development facility was fully repaid on 21 February 2017 and converted into an investment facility for a maximum amount of £5,460,000. An amount of £5,132,631 was drawn under the investment facility on the same date (please refer to Note 9 of the financial statements for details). As at 31 December 2019, there had been a fair value increase in the investment property valuation (please refer to Note 4 of the financial statements for details).

KEY RISKS

The following are the key risks facing the Company:

- *Market risk*: there is a risk from specialising in the investment and development of residential real estate that this market underperforms other UK property sectors leading to poor relative financial results.
- *The impact of changes in legislation particularly in respect of taxation, planning, environmental legislation and EU directives*: through both the use of experienced professional advisors and direct contact, the directors comply with current and will continue to monitor future regulations.
- *Financing risk*: the Company is currently funded through borrowings. The Company has processes in place to ensure that funding requirements are monitored and reported to the Board of directors on a regular basis.
- *Covid - 19 outbreak*: The current worldwide Coronavirus outbreak, declared by the World Health Organization as a global health emergency on 30 January 2020, has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The situation is being continuously monitored.

In the opinion of the Directors, whilst the situation continues to develop, it is not possible to judge the effect of Coronavirus outbreak on the financial position of the Company. As such, no adjustment for any potential impact has been made in these financial statements.

DIRECTORS' REPORT - (CONTINUED)**GOING CONCERN**

The Directors have prepared the financial statements on a basis other than that of a going concern, which assumes that the Company will terminate and cease operations within the foreseeable future.

The Company is a subsidiary of SoPro Holdings Real Estate Investment Trust Plc. SoPro Holdings Real Estate Investment Trust Plc and its subsidiaries (including the Company) compose the Fund. The Fund's expiry date is 31 March 2021. There are currently no plans to extend the life of the Fund and indirectly the operations of the Company, beyond the Fund's expiry date, which will be a period of less than 12 months after the approval date of these financial statements. The Company is expected to enter into a period of managed wind down to the expiry date, with the objective to realise its assets at the best available prices/values. The Directors have therefore prepared the financial statements on a basis other than going concern and accordingly all non-current assets/liabilities have been classified as current assets/liabilities.

DIRECTORS

The Directors who held office during the year ended 31 December 2019 and up to the date of approval of the financial statements were:

Richard Lang	(appointed 29 July 2019)
Andrew Sergeant	(appointed 29 July 2019)
Joseph Ruiz	(appointed 18 October 2019)
Sandra Whittmann	(appointed 18 October 2019)
Darren Mark Carter	(resigned 29 July 2019)
Jeffrey Bronheim	(resigned 18 October 2019)

INDEPENDENT AUDITOR

The independent auditor, Deloitte LLP, has expressed its willingness to continue in office.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Companies Act 2006 (the "Company law") requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to;

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 proper accounting records that 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

DIRECTORS' REPORT - (CONTINUED)

DIRECTORS' CONFIRMATION

Each of the Directors who was a Director at the time when the 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.
- This Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

BY ORDER OF THE BOARD



Andrew Sergeant

Director

Date: 10 JUNE 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOUCHPOINT HOUSING (OBR) LTD**Report on the audit of the financial statements****Opinion**

In our opinion the financial statements of Touchpoint Housing (OBR) Ltd (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland applicable to small companies"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" applicable to small entities (United Kingdom Generally Accepted Accounting Practice).

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOUCHPOINT HOUSING (OBR) LTD - (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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report 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 Directors' Report.

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
- 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

TOUCHPOINT HOUSING (OBR) LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOUCHPOINT HOUSING (OBR) LTD - (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



David Becker (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory auditor
St. Helier, Jersey
10 June 2020

TOUCHPOINT HOUSING (OBR) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

Company Number: 09343757

	<u>Notes</u>	<u>2019</u> £	<u>2018</u> £
ASSETS			
Non-current assets			
Investment property	4	-	11,000,000
Derivative financial instruments	7	-	9
		-	11,000,009
Current assets			
Investment property	4	11,340,000	-
Trade and other receivables	6	45,189	43,855
Cash and cash equivalents		136,827	251,917
		11,522,016	295,772
TOTAL ASSETS		11,522,016	11,295,781
EQUITY			
Share capital	7	2,870,001	2,990,001
Retained earnings		3,464,609	3,118,166
TOTAL EQUITY		6,334,610	6,108,167
Current liabilities			
Trade and other payables	8	63,389	57,204
Intercompany payable	15	-	15,300
Borrowings	9	5,124,017	-
		5,187,406	72,504
Non-current liabilities			
Borrowings	9	-	5,115,110
		-	5,115,110
TOTAL LIABILITIES		5,187,406	5,187,614
TOTAL EQUITY AND LIABILITIES		11,522,016	11,295,781

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The audited financial statements of the Company (09343757) were approved and authorised for issue by the Board of Directors on the 10th day of JUNE 2020 and were signed on its behalf by:

Director:



Andrew Sergeant

(The notes on pages 11 to 21 form part of these financial statements)

TOUCHPOINT HOUSING (OBR) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

Company Number: 09343757

	<u>Notes</u>	<u>31-Dec-19</u> £	<u>31-Dec-18</u> £
INCOME		462,765	448,110
EXPENDITURE	10	(107,028)	(91,014)
OPERATING PROFIT		355,737	357,096
Net finance costs	12	(149,285)	(136,387)
Other gains/(losses)	13	339,991	(1,089,021)
PROFIT/ (LOSS) FOR THE YEAR BEFORE TAX		546,443	(868,312)
TAX ON PROFIT ON ORDINARY ACTIVITIES	14	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		546,443	(868,312)

All results and comparatives shown in the Statement of Comprehensive Income are from continuing operations.

(The notes on pages 11 to 21 form part of these financial statements)

TOUCHPOINT HOUSING (OBR) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Company Number: 09343757

	<u>Note</u>	Share capital £	Retained earnings £	Total £
Balance at 1 January 2018		2,990,001	4,086,478	7,076,479
Total comprehensive loss for the year		-	(868,312)	(868,312)
Dividends paid during the year		-	(100,000)	(100,000)
Balance at 31 December 2018		2,990,001	3,118,166	6,108,167
Balance at 1 January 2019		2,990,001	3,118,166	6,108,167
Redemption of shares	7	(120,000)	-	(120,000)
Total comprehensive income for the year		-	546,443	546,443
Dividends paid during the year	11	-	(200,000)	(200,000)
Balance at 31 December 2019	7	2,870,001	3,464,609	6,334,610

(The notes on pages 11 to 21 form part of these financial statements)

NOTES TO THE AUDITED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2019****1 General information**

Touchpoint Housing (OBR) Ltd (the "Company") was incorporated in England and Wales on 5 December 2014 as a private company with limited liability under the Companies Act 2006. The address of the registered office is Asticus Building, 21 Palmer Street, London, SW1H 0AD. The principal activity of the Company is to buy and lease out real estate located in the United Kingdom so as to increase the capacity of councils to deliver front line services.

2 Accounting policies**Basis of measurement and preparation of accounts**

The financial statements are prepared on a basis other than that of a going concern. The financial statements have been prepared under the historical cost convention except for the revaluation of investment properties and financial assets at fair value through profit or loss and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") Section 1A" and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the Directors to exercise its judgement in the process of applying the Company's accounting policies. The significant accounting estimates and judgements include going concern assumption and the valuation of investment property and derivative financial instruments.

Going concern

The Directors have prepared the financial statements on a basis other than that of a going concern, which assumes that the Company will terminate and cease operations within the foreseeable future.

The Company is a subsidiary of SoPro Holdings Real Estate Investment Trust Plc. SoPro Holdings Real Estate Investment Trust Plc and its subsidiaries (including the Company) compose the Fund. The Fund's expiry date is 31 March 2021. There are currently no plans to extend the life of the Fund and indirectly the operations of the Company, beyond the Fund's expiry date, which will be a period of less than 12 months after the approval date of these financial statements. The Company is expected to enter into a period of managed wind down to the expiry date, with the objective to realise its assets at the best available prices/values. The Directors have therefore prepared the financial statements on a basis other than going concern and accordingly all non-current assets/liabilities have been classified as current assets/liabilities.

Statement of Cash Flow

A Statement of Cash Flows has not been included in these financial statements as the Company qualifies for exemption as a small company under the terms of FRS 102 Section 7.1B.

Foreign currencies**Functional and presentational 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 Sterling (GBP), this is considered to be the functional and presentational currency of the

Foreign currency translation

Monetary assets and liabilities are translated into GBP at the rate of exchange ruling at the financial position date. Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Foreign exchange gains or losses resulting from settlement of such transactions on transaction dates and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are presented net in the Statement of Comprehensive Income.

NOTES TO THE AUDITED FINANCIAL STATEMENTS - (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****2 Accounting policies (continued)****Interest income and interest expense**

Interest income and expense are recognised within 'net finance costs' in the Statement of Comprehensive Income using the effective interest method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. It includes interest income from cash and cash equivalents and assets held for investment.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the Statement of Financial Position.

Investment property

Investment property consists of property that is held for rental yields or for capital appreciation or both, and that is not occupied by the Company. Investment property is recognised initially at its cost, including related transaction costs and (where applicable) borrowing costs. After the initial recognition, investment property is carried at fair value. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The professional valuers use recognised valuation techniques and the principles.

Subsequent expenditure is capitalised to the asset'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 item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Changes in fair value are recognised in the Statement of Comprehensive Income.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected.

Financial instruments

The Company applies Section 11 and Section 12 of FRS 102 in respect of financial instruments.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets

The Company's financial assets consist of trade and other receivables, derivatives and cash and cash equivalents.

Trade and other receivables are subsequently measured at amortised costs less provision for impairment. Given the nature of trade and other receivables and cash and cash equivalents and their short length of time between the origination and settlement, their amortised cost is the same as the fair value on date of origination.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership.

NOTES TO THE AUDITED FINANCIAL STATEMENTS - (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****2 Accounting policies (continued)****Financial assets (continued)**

Derivative financial instruments are classified as financial assets at fair value through profit or loss and comprise of an interest rate cap and put options for property acquisitions (see note 5). Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting year. If the value of the put options results in an asset or liability position then any movements in the fair value of the assets / liabilities will be required within net changes from fair value adjustments in the Statement of Comprehensive Income.

The Company does not apply hedge accounting rules. Recognition of derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially at fair value. Transaction costs are expensed to the Statement of Comprehensive Income as finance costs. Gains and losses on derivatives are recognised in the Statement of Comprehensive Income. Interest income and expenses on derivatives are included in the Statement of Comprehensive Income in finance income and finance costs respectively.

The Company assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the Statement of Comprehensive Income. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method.

Financial liabilities include trade and other payables, intercompany payable and borrowings and are initially recognised at fair value and subsequently measured at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted and their amortised cost is the same as the fair value on date of origination given the short length of time between origination and date of settlement.

Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of financing costs) and the redemption value is recognised within the Statement of Comprehensive Income on an effective interest basis. Costs incurred for financing are capitalised and offset against the outstanding debt in the Statement of Financial Position.

Borrowings are composed of interest bearing bank borrowings with due dates of more than one year.

NOTES TO THE AUDITED FINANCIAL STATEMENTS - (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****2 Accounting policies (continued)****Borrowings (continued)**

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

Capitalised finance costs are amortised using the effective interest method. Loan facility interest is recognised at the effective interest rate.

Rental income

Rental income from operating leases is net of sales taxes and VAT and is recognised on a straight-line basis over the lease term. The initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the rental income.

Contingent rents, being those payments that are not fixed at the inception of the lease, for example increases arising on rent reviews, are recorded as income in periods when they are earned. Rent reviews which remain outstanding at the year end are recognised as income, based on estimates, when it is reasonable to assume that they will be received.

Revenue is recognised in the accounting year in which services are rendered.

Corporation tax

Corporation tax on the profit or loss for the period presented comprises of current and deferred tax. Corporation tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax in full is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. 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 reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Critical accounting estimates and judgements

The Company makes estimates and judgements that affect the reported amounts of assets and liabilities within the financial year. 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.

*i) Principal judgements underlying management's estimation of fair value***Judgements**

The Company uses external professional valuers to determine the investment property fair value estimates. The primary source of evidence for investment property valuations should be recent, comparable market transactions on an arm's length basis. However, the valuation of the Company's investment property portfolio is inherently subjective, as it is made on the basis of assumptions made by the valuers which may not prove to be accurate.

The investment properties have been valued using recent, comparable market transactions on an arm's length basis by the appointed external valuer, CBRE Limited ("CBRE"). By necessity a valuation requires subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser or another party undertaking a valuation.

NOTES TO THE AUDITED FINANCIAL STATEMENTS - (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****2 Accounting policies (continued)***i) Principal judgements underlying management's estimation of fair value (continued)***Judgements (continued)**

Judgements have been used to classify whether leases are finance and operating leases, especially where the lessees have the option to purchase at the end of the lease terms.

The Company's investment property is stated without adjustment at the fair value calculated by the independent valuer using a combination of the market comparable approach and the income approach for tenanted investment properties and for the investment properties not tenanted and undergoing refurbishment work, fair value is calculated as acquisition cost plus refurbishment costs incurred. The valuer derives a residual value for the investment property having considered the planned use and estimating the future value of the units with reference to information in the market for comparable properties gathered from numerous sources including but not limited to other agents and the Land Registry database subscribed to by the valuer. In estimating the fair value of the investment property under development, the highest and best use of the property was considered to be the planned future use. In estimating the fair value of the other investment properties, the highest and best use of the property is considered to be the current use. The Directors are entitled to rely upon and have relied upon the valuations provided by the independent valuer, but are not bound by such valuations.

With the exception of the untenanted investment properties and development properties valued at acquisition cost plus capital expenditure, the Directors are satisfied that this independent valuation is the best available estimate of the fair value of the Company's investment properties as at 31 December 2019 and 31 December 2018.

*ii) Fair value of derivative financial instruments***Estimates***Interest rate cap*

The Company uses reputable pricing sources (such as pricing agencies) to determine fair value estimates. Broker quotes/prices may be indicative and not executable or binding.

Put options

As there are no pricing sources (such as pricing agencies), these are measured based on the likelihood of being exercised based on existing market conditions of the respective properties, to determine whether the put options are in the money or out of money.

The Company exercises judgement and estimates on the quantity and quality of pricing sources used (Interest cap). The primary source of evidence for financial instrument valuations should be recent, comparable market transactions on an arm's length basis. However, the valuation of the Company's financial instruments is inherently subjective, as it is made on the basis of assumptions made by the pricing agencies and management which may not prove to be accurate.

3 Fair value estimation

The Company's financial assets and liabilities measured and reported at fair value are classified and disclosed in the next page in one of the fair value hierarchy levels based on the significance of the inputs used in measuring their fair value in accordance with FRS 102:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the valuation date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

NOTES TO THE AUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Fair value estimation (continued)

- Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are observable for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies. Level 2 inputs include the following:
 - a. Quoted prices for similar assets or liabilities in active markets.
 - b. Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
 - c. Inputs other than quoted prices that are observable for the asset or liability (e.g. interest rate and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks and default rates).
 - d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Company's own assumptions about how the market measures the fair value.

Assets and liabilities are always categorised as Level 1, 2 or 3 in their entirety. In certain cases, the fair value measurement for financial assets and liabilities may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, their level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and is specific to the financial asset or liability.

The policies for determining when transfers take place are as follows; transfers are made from Level 1 to Level 2 when the level of trading activity reduces significantly and transfer from Level 3 to Level 2 when information on a similar asset traded in an active market becomes available.

The Company has satisfactory title to all owned assets appearing in the statement of financial position but it should be noted that trading documents entered into by the Company may result in pledges made on such assets.

The fair value of the derivative financial instrument, being the interest rate cap, has been categorised as Level 2 and was determined using a mid-market MTM valuation.

The Company's assets and liabilities that are measured at fair value are classified as follows:

As at 31 December 2019	Level 1	Level 2	Level 3
	£	£	£
Assets:			
Investment property	-	-	11,340,000
As at 31 December 2018	Level 1	Level 2	Level 3
	£	£	£
Assets:			
Investment property	-	-	11,000,000
Derivative financial instruments	-	9	-
	-	9	11,000,000

There were no transfers between the hierarchy levels during the year ended 31 December 2019 and 31 December 2018.

NOTES TO THE AUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Investment property

The movements during the year on investment property are as follows:

	<u>31st Dec 19</u>	<u>31st Dec 18</u>
	£	£
Opening fair value	11,000,000	11,980,000
Additions	-	106,811
Fair value movement	340,000	(1,086,811)
Closing fair value	<u>11,340,000</u>	<u>11,000,000</u>

On 9 March 2015, the Directors approved a commitment for a proposed acquisition of the Luton properties, to provide housing to the most vulnerable and disadvantaged households in Luton. The construction of the Luton properties was completed during 2016, at a total construction cost of £7,301,005. Additional capital costs of £106,811 were incurred in the prior years.

The fair value movement is included in other gains in the Statement of Comprehensive Income.

The Company uses external professional valuers to determine the investment property fair value estimates. The valuation was performed by CBRE and was prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards 2017 Global and UK edition (the "Red Book").

The assumptions relating to the valuation of the above investment property have been included in note 2.

The Company has reclassified the Luton properties as current asset as the Company is expected to enter into a period of managed wind down to the expiry date, with the objective to realise its assets at the best available prices/values.

The following sensitivity analysis has been performed by Sanne Fiduciary Services Limited, as Administrator, with all other things being equal:

An increase in the yield of 0.70% over the useful economic life of the assets would result in a reduction in the completed assets valuation by £1,874,700. A decrease in the yield of 0.70% over the useful economic life of the assets would result in an increase in the completed assets valuation by £1,874,700.

5 Derivative financial instruments

The Company has entered into put option arrangement with the lessee, Luton Borough Council on the OBR property in Luton. The options allow the Group as lessor to require the lessee to acquire the one and two bedroom units in the property at an agreed price, in years 7, 8 and 9 ("exercise points") after the practical completion of the OBR property. The agreed prices were set as 87.5% of the estimated open market value ("OMV") at 13 April 2015 (agreement date), being £87,500 for every one bedroom unit and £126,875 for every two bedroom unit. However, the exercise of the option by the Company is restricted to not less than 25 units and not more than 50 units at each exercise point.

The Company also entered into an interest rate cap agreement with Santander UK PLC on 26 February 2016 with a termination date of 18 December 2020. Interest rate caps are used to cap the interest rate on variable debt instruments. The Company does not opt to use hedge accounting in accordance with the requirements of IFRS 9 "Financial Instruments: Recognition and Measurement."

The notional principal amount of the outstanding interest rate cap contract at 31 December 2019 is £5,460,000 (31 December 2018: £5,460,000), being the facility amount of the Development Loan, which was converted into an Investment Facility detailed in note 10. The premium paid for the cap was £nil (31 December 2018: £nil). The interest rate cap is 3.20% (31 December 2018: 3.20%).

NOTES TO THE AUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Derivative financial instruments - (continued)

	<u>31st Dec 19</u>	<u>31st Dec 18</u>
	£	£
Balance at beginning of year	9	2,219
Fair value movement on derivative instrument	(9)	(2,210)
Interest rate cap - asset	-	9

6 Trade and other receivables

	<u>31st Dec 19</u>	<u>31st Dec 18</u>
	£	£
Debtors	38,852	37,704
Prepayments	6,337	6,151
	45,189	43,855

7 Share capital

	<u>31st Dec 19</u>	<u>31st Dec 18</u>
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	2,870,001	2,990,001

Shares are classified as equity when there is no obligation to transfer cash or other assets.

There was a share redemption of 120,000 £1 ordinary shares for £1 each (2018: no new shares issued).

8 Trade and other payables

	<u>31st Dec 19</u>	<u>31st Dec 18</u>
	£	£
Accruals	60,199	48,007
Creditors	3,190	245
VAT Payable	-	8,952
	63,389	57,204

9 Borrowings

	<u>31st Dec 19</u>	<u>31st Dec 18</u>
	£	£
Borrowings - Santander UK	5,132,631	5,132,631
Unamortised loan cost	(8,614)	(17,521)
	5,124,017	5,115,110
Current	5,124,017	-
Non-current	-	5,115,110
	5,124,017	5,115,110

As at 31 December 2019 and 31 December 2018, the fair value of borrowings approximated their carrying value at the date of the Statement of Financial Position.

NOTES TO THE AUDITED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Borrowings (continued)

On 18 December 2015, the Company entered into a loan facility agreement with Santander UK. The development facility was for an amount of up to £5,460,000 which was fully repaid on 21 February 2017 and converted into an investment facility for an amount up to £5,460,000. The development facility bore interest at LIBOR plus 2.75% per annum, and the investment facility bears interest at LIBOR plus 1.80% per annum. However, interest and commitment fees payable in respect of the Development Loan on each Interest Payment Date was capitalised and added to the principal amount of the Development Loan. The facility is secured by a mortgage over the investment property held by the Company.

An amount of £5,132,631 of the development facility was drawn under the investment facility on 21 February 2017. The investment facility matures on 18 December 2020. The finance costs capitalised in relation to the development facility amounted to £nil (2018: £nil). The finance costs capitalised in relation to the investment facility amounted to £34,602 (2018: £34,602) of which £8,614 (2018: £17,521) was unamortised. Finance costs in relation to the investment facility charged to the Statement of Comprehensive Income during the year amounted to £139,885 (2018: £126,034).

10 Expenditure

	31st Dec 19	31st Dec 18
	£	£
Administration fees	40,396	42,427
Valuation fees	30,029	16,050
Audit fee	14,300	13,020
Legal and professional fees	12,156	10,600
Other operating expenses	8,327	8,072
Director fees	1,750	-
Penalties	70	845
	107,028	91,014

11 Dividends

	31st Dec 19	31st Dec 18
	£	£
Dividends paid during the year	200,000	100,000

12 Net finance costs

	31st Dec 19	31st Dec 18
	£	£
Loan interest	139,885	126,034
Amortisation of finance costs	8,907	8,907
Bank charges	510	1,460
Bank interest income	(17)	(14)
	149,285	136,387

13 Other gains / (losses)

	31st Dec 19	31st Dec 18
	£	£
Unrealised gain/ (loss) on revaluation of investment property	340,000	(1,086,811)
Unrealised loss on revaluation of derivative financial instruments	(9)	(2,210)
	339,991	(1,089,021)

NOTES TO THE AUDITED FINANCIAL STATEMENTS - (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

14 Taxation

	<u>31st Dec 19</u>	<u>31st Dec 18</u>
	£	£
UK Corporation tax charge on profit for the year	-	-
Factors affecting the tax charge for the year	<u>31st Dec 19</u>	<u>31st Dec 18</u>
	£	£
Profit/(loss) on ordinary activities before tax	546,443	(868,312)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK	103,824	(164,979)
Effects of:		
Non-taxable (expense)/income	(152,524)	121,773
Losses not recognised	48,700	43,206
Current tax charge for the year	<u>-</u>	<u>-</u>
Factors affecting future tax charges		

The rate of UK Corporation tax is reduced to 19% from 1 April 2017. (2018: 19%).

The Company will not be required to pay corporation tax as it forms part of the SoPro Holdings Real Estate Investment Trust Plc Group.

15 Employees

The Company has no employees in 2019 (2018: none).

16 Related party disclosures

Darren Carter was a Director of the Company who resigned on 30 July 2019, was also an employee of Cheyne Capital Management (UK) LLP, the Investment Adviser to SoPro Holdings Real Estate Investment Trust Plc (the "REIT") and did not receive any remuneration from the Company. Darren Carter has also invested indirectly in the Company through the REIT.

Jeffrey Bronheim, a Director of the Company who resigned on 18 October 2019, was also an employee of Cheyne Capital Management (UK) LLP, the Investment Adviser to the REIT until 31 December 2017 and did not receive any remuneration from the Company. Effective 1 January 2018, Jeffrey Bronheim received remuneration from the REIT.

Richard Lang, Andrew Sergeant, Joseph Ruiz and Sandra Wittman, Directors of the Company, are also employees of Cheyne Capital Management (UK) LLP, the Investment Adviser to the REIT and did not receive any remuneration from the Company. The Directors of the Company are also Directors of the REIT.

During the year, Cheyne Social Property Impact Holdings L.P., parent entity of the REIT, has paid expenses on behalf of the Company which amounted to £nil (2018: £15,300).

There are no other significant balances outstanding between the Company and its related parties.

17 Controlling party

The Company's immediate parent is SoPro Holdings S.à r.l.. There is no ultimate controlling party.

The Company is included in the consolidated financial statements of SoPro Holdings Real Estate Investment Trust Plc, the parent entity to SoPro Holdings S.à r.l., whose registered office is IFC 5, St. Helier, Jersey, JE1 1ST.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS - (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****18 Market conditions**

The UK officially left the EU on 31 January 2020 ("Brexit"); however, under the agreed transitional arrangements, all relevant rules and regulations will currently remain in place until 31 December 2020, making this latter date the UK's "effective Brexit date". This continues to create economic and other uncertainties about both the process and its consequences which are risks that affect the real estate industry, particularly market values of investment property. Although there is no evidence as at 31 December 2019 that Brexit has adversely affected the Company's activities and uncertainty in relation to the impact of Brexit on the UK and EU economies may impact the valuation of the Company's investments in the coming year.

19 Subsequent events**The Finance (No.3) Bill**

The Finance (No.3) Bill published in November 2018 set out a number of significant changes to the taxation of UK real estate which are due to come into effect in the near future. Gains arising on the disposal of UK commercial property are presently exempt from tax. Going forward UK corporation tax will be applicable to all gains arising on UK commercial property from 6 April 2019 and after April 2020 non-resident corporate landlords will be subject to UK corporation tax rather than income tax. There are a number of exemptions that may be applied and elections to consider based on the investors composition and status. It is not possible at this stage to determine precisely the impact of these changes on the position of the Company but it is expected that the new rules will result, inter alia, in changes to applicable taxation rates, restrictions on allowable interest and changes in the way losses can be relieved.

COVID 19 - Outbreak

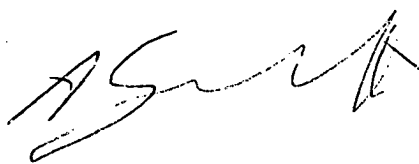
The current worldwide Coronavirus outbreak, declared by the World Health Organization as a global health emergency on 30 January 2020, has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The situation is being continuously monitored.

In the opinion of the Directors, whilst the situation continues to develop, it is not possible to judge the effect of Coronavirus outbreak on the financial position of the Company. As such, no adjustment for any potential impact has been made in these financial statements.

There were no other events after year end that require adjustments to the financial statements or disclosures to the notes.

20 Approval of financial statements

These financial statements were approved by the Board of Directors on 10 JUNE 2020.



Andrew Sergeant
Director