

Registered number: 10467065

LEAMOUTH CAPITAL PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended 31 March 2021



LEAMOUTH CAPITAL PLC

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LEAMOUTH CAPITAL PLC

Company Information

Directors	P. Dalton (appointed 1 April 2021) J. Mulryan D. Pearson (resigned 1 April 2021) T. Tsang H. P. Cheung
Company secretary	P. Dalton (appointed 1 April 2021) D. Pearson (resigned 1 April 2021)
Registered number	10467065
Registered office	4th Floor 161 Marsh Wall London E14 9SJ
Independent auditor	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2 Republic of Ireland
Solicitors	Howard Kennedy No. 1 London Bridge London SE1 9BG

LEAMOUTH CAPITAL PLC

Strategic report For the Year Ended 31 March 2021

Introduction

The directors present their strategic report for the year ended 31 March 2021. The Company's principal activity is to raise finance and issue loan notes to a related party to enable that entity to finance its property development activities. The proceeds of the loan notes issued were advanced directly from the holders to the related party.

Business review

The principal activity is that of a financing company to Leamouth Limited Partnership (Leamouth LP). Leamouth LP is a 50:50 joint venture between Ballymore Leamouth Limited Partner Limited and Clear Vision Global Limited, to develop the land owned by the joint venture.

Principal risks and uncertainties

The principal risks and uncertainties are the credit risk arising from the unsecured loan to Leamouth LP, and the related liquidity risk arising from the repayment terms of the Company's own liabilities. These amounts are all due for repayment simultaneously. Leamouth LP has obtained financing from several sources, including a secured bank loan.

The Company is a finance company which borrows funds from related parties and then issued Eurobonds on The International Stock Exchange which have a repayment date of 1 December 2022 (note 11). All issued Eurobonds have been issued to a related party, Leamouth Limited Partnership (note 9).

Covid-19

The directors continue to monitor the impact of the Covid-19 pandemic on Leamouth Limited Partnership's ability to deliver its business plan and repay the amounts due (including any rolled up interest) to Leamouth Capital PLC in respect of the listed Eurobonds. Leamouth Limited Partnership is developing a mixed use residential and commercial property scheme under the Goodluck Hope marque which is situated where the River Lea joins the River Thames at Bow Creek in London.

The directors do not consider that there will be any long term impact on the ability of the subscriber of the Eurobonds to deliver its business plan and in turn repay the amounts due in respect of the Eurobonds to the Company.

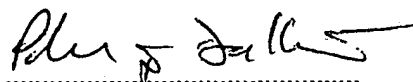
Financial key performance indicators

The Company's key performance indicator is the profit on its lending activities (net finance income).

Other key performance indicators

The directors are of the opinion that there are no non-financial key performance indicators.

This report was approved by the board on 14th December 2021 and signed on its behalf.



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P. Dalton
Director

LEAMOUTH CAPITAL PLC

Directors' report For the Year Ended 31 March 2021

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

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 its profit or loss for that period. In preparing these financial statements, the directors are required:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for 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 strategic report and a director's report that complies with that law and those regulations.

Going concern

The directors have prepared the financial statements on a going concern basis as they have received confirmation from the joint controllers' that for a period of not less than 12 months from the date of signing these financial statements they will not request payment of interest due, nor will they call on the Eurobonds due for repayment on 1 December 2022, unless there are sufficient funds available to Leamouth Capital Plc to allow it repay these amounts without impacting their ability to continue as a going concern.

At the time of signing the financial statements, negotiations are ongoing and substantially enacted for the restructuring of Quoted Eurobonds purchased by related parties. In turn, the loan owed by Leamouth LP is being restructured in the same manner.

Results and dividends

The profit for the year, after taxation, amounted to £92,494 (2020 - £61,991).

No dividends were declared for the year ended 31 March 2021 (2020 - £Nil).

Directors

The directors who served during the year were:

LEAMOUTH CAPITAL PLC

Directors' report (continued) For the Year Ended 31 March 2021

J. Mulryan
D. Pearson (resigned 1 April 2021)
T. Tsang
H. P. Cheung

Subsequent to the year end P. Dalton was appointed as a director on 1 April 2021.

Future developments

The Company provides funding to a related party, Leamouth LP, and intends to continue its lending activities until the scheduled repayment date of 1 December 2022. Leamouth LP is developing private and affordable residential units and commercial property at its site, branded as "Goodluck Hope".

At the time of signing the Financial Statements, negotiations are ongoing and substantially enacted for the restructuring of Quoted Eurobonds purchased by related parties.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

As detailed in Note 11, amounts owed to related parties includes £2,686,154 (2020 - £9,284,168) that were listed as Quoted Eurobonds on 12th April 2021 on The International Stock Exchange.

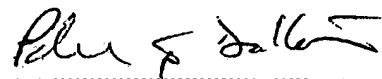
At the time of signing the financial statements, negotiations are ongoing and substantially enacted for the restructuring of Quoted Eurobonds purchased by related parties. In turn, the loan owed by Leamouth LP is being restructured in the same manner.

There are no other significant post balance sheet events which would materially affect the financial statements.

Auditor

The auditor, KPMG, Statutory Auditor, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 14th December 2021 and signed on its behalf.



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P. Dalton
Director



Independent auditor's report to the members of Leamouth Capital Plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Leamouth Capital Plc ("the Company") for the year ended 31 March 2021, which comprise the profit and loss account, the balance sheet, the statement of changes in equity for the year then ended and the related notes, including the accounting policies in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion:

- the Company financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- the Company financial statements have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the Company financial statements have been properly 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 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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard as applied to a listed entity, 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The going concern of the Company is dependent on the recoverability of its related party asset payable by Leamouth Limited Partnership ("the related party"). Therefore, we have critically assessed the assumptions used by management in the related party's cash flow forecast;
- Obtaining written letters of support from the bondholders confirming they will not call in the interest and capital owed by the Company for a period of 12 months from the date of signing of the financial statements; and
- Reviewing the draft agreements supporting the refinancing and the waiver of the related party loan. Negotiations are ongoing and substantially enacted for the restructuring of this related party loan, to effectively reduce the interest rate from 12.1% to a revised rate of 4.25%. The directors and shareholders have confirmed they have the ability and intent to close out this transaction presently.

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

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Independent auditor's report to the members of Leamouth Capital Plc (continued)

Report on the audit of the financial statements (continued)

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included:

- Inquiring with the directors and management as to the Company's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims;
- Inquiring of directors as to the Company's policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Inquiring of directors regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud;
- Reading Board minutes; and
- Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: certain aspects of company legislation recognising the nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit, we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.

In response to the fraud risks, we also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation;
- Evaluating the business purpose of significant unusual transactions;
- Assessing significant accounting estimates for bias; and
- Assessing the disclosures in the financial statements

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.



Independent auditor's report to the members of Leamouth Capital Plc (continued)

Report on the audit of the financial statements (continued)

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2020):

Recoverability of amounts owed by related parties (31 March 2021: £93,762,637)

Refer to Note 2 (accounting policies) and Note 9 (loan to related party)

The key audit matter

The recoverability of amounts due from the related party is considered to be a significant risk given the magnitude of the balance in the context of the Company's financial statements taken as a whole, the importance of the balance to fund the Company's liabilities, and the inherent judgement involved in the assessment of recoverability of the balance. The inherent judgements are the assumptions in the related party cashflow forecasts including, the expectation of future sales prices to be achieved and costs to complete the related party's development.

How the matter was addressed in our audit

Our audit procedures in this area included but were not limited to:

- Inspected the loan agreement put in place between the Company and the related party;*
- Agreeing movements in the balance to underlying supporting documentation, and confirming the balance at 31 March 2021 with the related party;*
- Critically assessing the financial position of the related party from whom the balance is due, by challenging management on the assumptions and cashflows used in their determination of the profit forecasted for the related party's development. Management's assessment is based on future sales prices and costs to complete. Our retrospective review of the FY21 budget compared to actual provides comfort on management's forecasting and their assumptions used in the model. Revenue testing confirmed sales in the year and contracts for future sales continue to be exchanged at budgeted sales values;*
- Challenged management's cash flow projections for the related party's development by agreeing underlying inputs to supporting third party documentation;*
- Negotiations are ongoing and substantially enacted for the restructuring of this related party loan, to effectively reduce the interest rate from 12.1% to a revised rate of 4.25% - we reviewed the draft agreements supporting this waiver and refinancing. Management have provided a written representation confirming it has the ability and intent to close the transaction presently; and*
- Obtained letters of support which state the Company has provided confirmation that, for a period of not less than 12 months from the date the related party financial statements are signed, it will not request payment of interest due, nor will it call on the related party loans due for repayment on 1 December 2022, unless there are sufficient funds available to allow it repay these amounts without impacting their ability to continue as a going concern.*

We found the Company's judgements were appropriate and supported by reasonable assumptions.



Independent auditor's report to the members of Leamouth Capital Plc (continued)

Report on the audit of the financial statements (continued)

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £750,000 (2020: £665,000). This has been calculated as approximately 0.8% (2020: 0.8%) of the benchmark of total assets, which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing its financial performance.

We report to the directors all corrected and uncorrected misstatements we identified through our audit with a value in excess of £37,500 (2020: £33,000), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds. Our audit of the Company was undertaken to the materiality level specified above and was all performed by one engagement team in Dublin. We applied Company materiality to assist us to determine the overall audit strategy, to determine what risks were significant risks for the Company and determine the audit procedures to be performed.

Other information

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the strategic report and the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report or the directors' report;
- in our opinion, the information given in the strategic and directors' reports is consistent with the financial statements;
- in our opinion, the strategic and directors' reports has been prepared in accordance with the Companies Act 2006.

We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.



Independent auditor's report to the members of Leamouth Capital Plc (continued)

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

Emma O'Driscoll (Senior Statutory Auditor)

14 December 2021

for and on behalf of
KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St Stephen's Green
Dublin 2
Republic of Ireland

LEAMOUTH CAPITAL PLC

Profit and loss account For the Year Ended 31 March 2021

	Note	2021 £	2020 £
Administrative expenses		(11,735)	(4,661)
Operating loss		(11,735)	(4,661)
Interest receivable and similar income	6	10,547,733	9,386,230
Interest payable and similar expenses	7	(10,422,902)	(9,284,168)
Profit before tax		113,096	97,401
Tax on profit	8	(20,602)	(35,410)
Profit for the financial year		92,494	61,991

The notes on pages 13 to 20 form part of these financial statements.

All amounts relate to continuing operations.

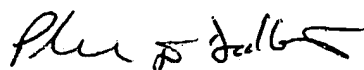
The Company had no other comprehensive income in the period and therefore, no statement of other comprehensive income is provided.

LEAMOUTH CAPITAL PLC
Registered number: 10467065

Balance sheet
As at 31 March 2021

	Note	2021 £	2020 £
Assets			
Loans to related party: amounts falling due after more than one year	9	93,762,637	83,222,983
		<u>93,762,637</u>	<u>83,222,983</u>
Creditors: amounts falling due within one year	10	(43,649)	(19,392)
Net current assets		<u>93,718,988</u>	<u>83,203,591</u>
Total assets less current liabilities		<u>93,718,988</u>	<u>83,203,591</u>
Creditors: amounts falling due after more than one year	11	(93,399,121)	(82,976,218)
Net assets		<u><u>319,867</u></u>	<u><u>227,373</u></u>
Capital and reserves			
Called up share capital	15	50,000	50,000
Profit and loss account		269,867	177,373
		<u>319,867</u>	<u>227,373</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
12th December 2021



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P. Dalton
Director

The notes on pages 13 to 20 form part of these financial statements.

LEAMOUTH CAPITAL PLC

**Statement of changes in equity
For the Year Ended 31 March 2021**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2020	50,000	177,373	227,373
Comprehensive income for the year			
Profit for the year	-	92,494	92,494
Total comprehensive income for the year	-	92,494	92,494
Total transactions with owners	-	-	-
At 31 March 2021	50,000	269,867	319,867

The notes on pages 13 to 20 form part of these financial statements.

**Statement of changes in equity (continued)
For the Year Ended 31 March 2020**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2019	50,000	115,382	165,382
Comprehensive income for the year			
Profit for the year	-	61,991	61,991
Total comprehensive income for the year	-	61,991	61,991
Total transactions with owners	-	-	-
At 31 March 2020	50,000	177,373	227,373

The notes on pages 13 to 20 form part of these financial statements.

LEAMOUTH CAPITAL PLC

Notes to the financial statements For the Year Ended 31 March 2021

1. General Information

Leamouth Capital Plc is a public limited company incorporated, domiciled and registered in the UK. The registered office address is 4th Floor, 161 Marsh Wall, London, E14 9SJ. The registered company number is 10467065. The principal activity of the Company is set out in strategic report. The Company has debt listed on The International Stock Exchange.

2. Accounting policies

Basis of preparation of financial statements

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

The Company's functional and presentational currency is pounds sterling.

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

The following principal accounting policies have been applied:

Going concern

The directors have prepared the financial statements on a going concern basis as they have received confirmation from the joint controllers' that for a period of not less than 12 months from the date of signing these financial statements they will not request payment of interest due, nor will they call on the Eurobonds due for repayment on 1 December 2022, unless there are sufficient funds available to Leamouth Capital Plc to allow it repay these amounts without impacting their ability to continue as a going concern.

At the time of signing the financial statements, negotiations are ongoing and substantially enacted for the restructuring of Quoted Eurobonds purchased by related parties. In turn, the loan owed by Leamouth LP is being restructured in the same manner.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

LEAMOUTH CAPITAL PLC

Notes to the financial statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

Financial Instruments (continued)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Interest payable

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Interest receivable

Interest income is recognised in profit or loss using the effective interest method.

LEAMOUTH CAPITAL PLC

Notes to the financial statements For the Year Ended 31 March 2021

2. Accounting policies (continued)

Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

Cash flow statement

The Company has availed of the exemption to prepare a cash flow statement as there are no balances which meet the definition of cash and cash equivalents in the Company.

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

In the process of applying the Company's accounting policies, the key judgments made by management relate to the recoverability of loans made to related parties (Note 9).

4. Operating segments

As an issuer of publicly-traded debt instruments, the Company is required to comply with IFRS 8 Operating Segments. The Company operates a single reportable segment in the UK where it carries out its financing activities. All interest income and non-current assets are derived from these activities, and from a single customer (Note 16).

5. Operating loss

The cost of the Company's audit fee of £8,080 (2020: £9,250) was borne by Leamouth LP (Note 17). There were no fees for non-audit services to the Company up to the date of approval of these financial statements.

During the period, no director received any emoluments. The Company has no employees.

LEAMOUTH CAPITAL PLC

Notes to the financial statements For the Year Ended 31 March 2021

6. Interest receivable and similar income

	2021 £	2020 £
Interest receivable from related parties	<u>10,547,733</u>	<u>9,386,230</u>

7. Interest payable and similar expenses

	2021 £	2020 £
On Quoted Eurobonds	<u>10,422,902</u>	<u>9,284,168</u>

8. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	21,488	19,392
Adjustments in respect of previous periods	(886)	16,018
	<u>20,602</u>	<u>35,410</u>
Total current tax	<u>20,602</u>	<u>35,410</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>113,096</u>	<u>97,401</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	21,488	18,506
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	886
Adjustments to tax charge in respect of prior period	(886)	16,018
Total tax charge for the year	<u>20,602</u>	<u>35,410</u>

LEAMOUTH CAPITAL PLC

Notes to the financial statements For the Year Ended 31 March 2021

8. Taxation (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% with effect from 1 April 2020 received Royal assent on 6 September 2016. However, in the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020.

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% with effect from 1 April 2023. This will have a consequential effect on the Company's future tax charge. There was no unprovided deferred tax at 31 March 2021.

9. Loan to related party

	2021 £	2020 £
Due after more than one year		
Amounts owed by related parties	93,762,637	83,222,983

In December 2016, loans were advanced to Leamouth LP (Note 17).

Amounts owed by related parties are unsecured, unguaranteed, subject to a fixed rate of annual interest of 12.1%, and are due for repayment on 1 December 2022.

10. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,200	-
Amounts owed to related parties	1,415	-
Corporation tax	39,994	19,392
Accruals	1,040	-
	43,649	19,392

LEAMOUTH CAPITAL PLC

Notes to the financial statements For the Year Ended 31 March 2021

11. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Amounts owed to related parties	2,617,083	9,215,098
Quoted Eurobonds	90,782,038	73,761,120
	<u>93,399,121</u>	<u>82,976,218</u>

Eurobonds quoted on The International Stock Exchange are unsecured, unguaranteed, subject to a fixed rate of annual interest of 12%, and are due for repayment on 1 December 2022.

All Quoted Eurobonds issued were purchased by related parties (note 17).

Amounts owed to related parties of £2,617,083 (2020 - £9,215,098) represents total amounts owed of £2,711,153 (2020: £9,306,375) less amounts receivable from related parties of £94,070 (2020: £91,277) where a right of offset exists. The amount of £2,711,153 (2020 - £9,306,375) includes loans to be listed as quoted Eurobonds on The International Stock Exchange (TISE). As detailed in note 18, the amount of £2,686,154 was admitted to the Official List of the TISE on 12th April 2021.

12. Financial risk management

The Company holds financial assets and liabilities as set out in notes 9 and 11 respectively, all of which are measured at amortised cost.

The Company's activities are exposed to a variety of financial risks, including credit risk and liquidity risk. The interest rates on all financial assets and liabilities are fixed and thus interest rate risk is not material to the company. The Company's overall financial risk management objective is to minimise potential adverse effects on the financial performance of the Company.

Financial risk management is carried out through risk review, internal control systems and adherence to the Company's financial risk management policies. The Board regularly reviews these risks and approves the policies covering the management of these risks. The Company does not trade in derivative instruments.

Credit risk arises from the unsecured loan to Leamouth LP. Leamouth LP is a related party, and as such the directors of the Company have visibility over Leamouth LP's own financial risks, risk management policies and financial projections. The directors have concluded that these are compatible with the Company's risk appetite and risk management framework.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. This is mitigated by the fact that the loan to Leamouth LP has an identical maturity date to the Quoted Eurobonds.

LEAMOUTH CAPITAL PLC

Notes to the financial statements For the Year Ended 31 March 2021

13. Capital management

The directors' objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to support the Company's stability and growth.

The directors actively and regularly review the Company's capital structure and when necessary, the Company obtains financial support from the shareholders to ensure optimal capital structure and shareholder returns.

The principal form of capital is share capital as included in the balance sheet, and debt securities as in note 11.

14. Financial instruments

	2021 £	2020 £
Financial assets		
Financial assets measured at amortised cost	<u>93,762,637</u>	<u>83,222,983</u>
Financial liabilities		
Financial liabilities measured at amortised costs	<u>(93,399,121)</u>	<u>(82,976,218)</u>

Financial assets measured at amortised cost comprise debtors, excluding corporation tax recoverable and prepayments.

Financial liabilities measured at amortised cost comprise creditors, excluding taxation and social insurance and deferred income.

15. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
25,000 Ordinary A shares of £1.00 each	25,000	25,000
25,000 Ordinary B shares of £1.00 each	25,000	25,000
	<u>50,000</u>	<u>50,000</u>

The A and B shares rank pari passu in all respects.

16. Contingent liabilities

On 1 September 2017, the Company granted a negative pledge in favour of United Overseas Bank, London Branch, over certain amounts due to the Company from Leamouth Limited Partnership (note 17). While amounts are outstanding by Leamouth Limited Partnership to United Overseas Bank under a separate agreement, no security is to be created over the amounts owed to the Company, the asset may not be transferred or otherwise disposed of, and no right in favour of any other party may be created over it.

LEAMOUTH CAPITAL PLC

Notes to the financial statements For the Year Ended 31 March 2021

17. Controlling party and related party transactions

The Company is jointly controlled by Leamouth European Capital Limited, a company incorporated in Jersey, Channel Islands, and Radiant Growth Limited, a company incorporated in the British Virgin Islands.

The Company advanced a loan of £56,000,000 on 1 December 2016 to Leamouth LP, an entity controlled by Leamouth General Partner Limited. Leamouth General Partner Limited is a joint venture of Ballymore Leamouth Limited Partner Limited. Both Ballymore Leamouth Limited Partner Limited and Leamouth European Capital Limited are controlled by Mr S. Mulryan. The terms of the loan are set out in note 9. Interest charged in the year was £10,547,733 (2020: £9,386,230). Additionally, Leamouth LP paid expenses totalling £8,080 (2020: £23,628) on behalf of the Company. The balance due from Leamouth LP at 31 March 2021 was £93,762,637 (2020: £83,222,983).

Leamouth European Capital Limited purchased £5,211,451 (2020: £4,406,697) and Radiant Growth Limited purchased £5,211,451 (2020: £4,406,697) of Quoted Eurobonds issued by the Company during the year (note 11).

The Board of Directors is considered to constitute Leamouth Capital Plc's key management personnel. No director received any form of compensation from the Company, or otherwise, in respect of services provided to the Company during the year.

18. Post balance sheet events

As detailed in Note 11, amounts owed to related parties includes £2,686,154 that were listed as Quoted Eurobonds on 12th April 2021 on The International Stock Exchange.

At the time of signing the Financial Statements, negotiations are ongoing and substantially enacted for the restructuring of Quoted Eurobonds purchased by related parties. In turn, the loan owed by Leamouth LP (note 9) is being restructured in the same manner.

There are no other significant post balance sheet events which would materially affect the financial statements.