

(Registration number: 12375336)

Threadneedle UKPEC II LP Holdco Limited

Annual Report and Financial Statements

For the year ended 5 April 2022



Threadneedle UKPEC II LP Holdco Limited
Annual Report and Financial Statements
for the year ended 5 April 2022

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Company Information

Directors

S Lauder
J Rigg
P Stone
G Vullo
T Weeks

Company secretary

A Kaye

Registered office

Cannon Place
78 Cannon Street
London
EC4N 6AG

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

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Strategic Report

The Directors present their Strategic Report for Threadneedle UKPEC II LP Holdco Limited a private company (the "Company") for the year ended 5 April 2022. The Company's prior year was for the extended period from 23 December 2019 to 5 April 2021 as the Company was dormant until investment activity commenced in August 2020. Therefore, the prior period comparatives are not entirely comparable.

Threadneedle Investments (Channel Islands) Limited has been appointed as Manager of the Company. The Manager is regulated by the Jersey Financial Services Commission and its registered office is IFC 1, The Esplanade, St Helier, Jersey, JE1 4BP.

Incorporation

The Company was incorporated in the United Kingdom on 23 December 2019. The Company's registration number is 12375336 and the Company's registered office is Cannon Place, 78 Cannon Street, London EC4N 6AG. The Company has been created with the sole purpose of holding an investment in the Airport City Limited Partnership ("ACN"). The principal activity of ACN is the development and trade of property at Manchester Airport under the Airport City masterplan.

The Company's entire share capital is held by Sackville Property Curtis (Jersey GP) Limited in its capacity as General Partner of Threadneedle UKPEC II Curtis Jersey LP (a Jersey limited partnership, incorporated in Jersey with registration number 3100) (the "Partnership").

The Partnership invests indirectly in UK real estate assets via investments in the Company and Threadneedle Curtis Limited.

Review of the business

The Company's principal activity during the year was investment in ACN. The Company holds a 50% share in ACN and its interest in ACN is funded by way of an interest-free shareholder loan provided by the Partnership.

The Company's total commitment to ACN as a limited partner is £30.00m. During the year, the Company contributed an additional £2.50m (2021: £3.53m) to ACN to cover contractual commitments at ACN level. The total contributed to ACN from the Company as at 5 April 2022 was £19.32m (2021: £16.82m).

The fair value of the Company's investment in ACN as at 5 April 2022 was £19.80m (2021: £19.00m).

The operating loss for the year to 5 April 2022 amounted to £0.12m (2021: £0.10m) which, when added to a net loss on investment in ACN of £1.70m (2021: gain £2.18m) and a reduction in taxation expense of £0.50m (2021: expense £0.41m) resulted in a total loss for the financial year of £1.32m (2021: profit £1.67m). The Company made no dividend payments during the year.

The Directors of the Company consider that the result of trading up to 5 April 2022 and the financial position as at 5 April 2022 is satisfactory in view of the general market conditions.

Since February 2022, the European Union, United States and United Kingdom placed sanctions on certain Russian companies and persons in retaliation of the Russian invasion of Ukraine on 24 February 2022. The Company does not have direct holdings on its balance sheet nor operations in Russia, Ukraine or Belarus. The Manager regularly screens the Companies relationships with investors and suppliers and is not aware of any relationship with any sanctioned companies or persons. The Directors will continue to monitor the potential risks as the situation continues to evolve.

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Strategic Report (continued)

Review of the business (continued)

During the year, COVID-19 continued to impact economies, financial markets and businesses around the world. As in the previous year, the Directors of the Company monitored the impact of the pandemic and related restrictions to ensure the Company continued to maintain business continuity. The Directors do not believe there is a need to alter the investment strategy as a result of these economic uncertainties and the Company is expected to remain solvent over the next 12 months. However, the effects could have an impact on the business and operations of the Company and its financial performance, and the Directors will continue to monitor the COVID-19 situation closely.

Future developments

To support the Company's acquisition of its interest in ACN which completed on 7 August 2020, the Partnership signed a Deed of Guarantee, committing funding of up to £30.0m which the Company will utilise for funding its loan commitments to ACN. As at 5 April 2022, the Partnership had contributed £19.32m (2021: £16.82m) to the Company from this guarantee leaving £10.68m (2021: £13.18m) available for the Company to draw. The Company will repay the loan to the Partnership upon receipt of distributions from ACN or upon disposal of its interest in ACN.

The availability of this funding from the Partnership will provide working capital for the Company to ensure it has sufficient liquidity to meet its current liabilities shown in the Statement of Financial Position.

The Directors are satisfied that the Company has adequate resources to continue in operational existence for at least twelve months from signing of the financial statements and accordingly, it has adopted the going concern basis in preparing the financial statements.

Key Performance Indicators

The Board of Directors of the Company consider the following to be the Company's Key Performance Indicators:

- Profitability; and
- Growth of the Company's net assets
- The movement in the fair value of the Company's investment in ACN.

Performance against these indicators is discussed within the review of the business for the year as set out above. The Directors believe that the Non-Financial Key Performance Indicators are not applicable to the Company's activities.

Principal risks and uncertainties

The principal risks and uncertainties are integrated with the financial risk management policies of the Company and are discussed in the Directors' Report.

The financial statements on pages 11 to 24 were approved by the Board on 14 July 2022 and signed on its behalf by:



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S Lauder
Director

Threadneedle UKPEC II LP Holdco Limited
Annual Report and Financial Statements
for the year ended 5 April 2022

Directors' Report

The Directors present their report and audited financial statements (the "financial statements") of the Company for the year ended 5 April 2022.

Directors of the Company

The Directors, who held office during the year and up to the date of approving these financial statements, were as follows:

M Higginbotham (resigned 22 March 2022)

S Lauder

J Rigg

P Stone

G Vullo

T Weeks

Future developments

The future developments of the Company have been discussed in the Strategic Report.

Risk management

The principal risks and uncertainties are integrated with the financial risk management policies of the Company and are discussed in Note 11 to the financial statements.

The impact of COVID-19 brings heightened risk, however, the Directors believe the robust risk management framework in place is adequate under current circumstance and will be reassessed as and when appropriate to do so.

Dividends

The Company did not declare or pay any dividends during the year (2021: £nil). The Directors do not recommend the payment of a final dividend (2021: £nil).

Political donations

The Company has made no political donations and incurred no political expenditure during the year (2021: £nil).

Going concern

The Directors have prepared the financial statements on a going concern basis. In assessing the going concern position of the Company, the Directors have considered the ongoing impact of COVID-19 and the Russian invasion of Ukraine on the cash flow and liquidity of the Company and are comfortable that the Company will remain cash-generative and has sufficient funding from the guarantee provided by the Partnership to enable it to continue to meet its liabilities as they fall due for at least the next 12 months from the date of the approval by the Directors of the financial statements.

Directors' liabilities

During the year and also at the date of approval of the financial statements the Company had in force a qualifying third-party indemnity provision in favour of one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

Threadneedle UKPEC II LP Holdco Limited
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Directors' Report (continued)

Statement of directors' responsibilities in respect of the financial statements

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

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

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Reappointment of auditors

It is the intention of the directors to reappoint the auditors PricewaterhouseCoopers LLP in accordance with the requirements of Section 487 of the Companies Act 2006.

Approved by the Board on 14 July 2022 and signed on its behalf by:



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S Lauder
Director

Threadneedle UKPEC II LP Holdco Limited
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Independent auditors' report to the members of Threadneedle UKPEC II LP Holdco Limited

Report on the audit of the financial statements

Opinion

In our opinion, Threadneedle UKPEC II LP Holdco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 5 April 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 5 April 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Threadneedle UKPEC II LP Holdco Limited
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Independent auditors' report to the members of Threadneedle UKPEC II LP Holdco Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 5 April 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

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Independent auditors' report to the members of Threadneedle UKPEC II LP Holdco Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and judgement areas of the financial statements. Audit procedures performed by the engagement team included:

- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Validating the appropriateness of journal entries identified based on our fraud risk criteria; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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Independent auditors' report to the members of Threadneedle UKPEC II LP Holdco Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jasmit Lochab (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 July 2022

Threadneedle UKPEC II LP Holdco Limited
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Statement of Comprehensive Income
for the year ended 5 April 2022

		Year ended 5 April 2022	Period from 23 December 2019 to 5 April 2021
	Note	£	£
Administrative expenses	5	(121,293)	(95,112)
Operating loss		(121,293)	(95,112)
Net (loss)/gain on investment in Airport City Limited Partnership	8	(1,698,000)	2,181,947
(Loss)/profit before tax		(1,819,293)	2,086,835
Tax on (loss)/profit	6	502,698	(414,570)
(Loss)/profit for the financial year/period		(1,316,595)	1,672,265

The above results were derived from continuing operations.

The Company did not incur any other comprehensive (expense)/income other than the (loss)/profit reported above. Accordingly, the (loss)/profit for the financial year is equivalent to the total comprehensive (expense)/income for the year.

The notes on pages 15 to 24 form an integral part of these financial statements

Threadneedle UKPEC II LP Holdco Limited
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Statement of Financial Position
as at 5 April 2022

	Note	2022 £	2021 £
Assets			
Non-current assets			
Investment in Airport City Limited Partnership	8	19,800,000	19,000,000
Deferred tax asset	6	579,004	-
Current assets			
Trade and other receivables		1	1
Cash at bank		1,000	-
		1,001	1
Total assets		20,380,005	19,000,001
Current liabilities			
Trade and other payables	9	(707,281)	(95,112)
		(707,281)	(95,112)
Total assets less current liabilities		19,672,724	18,904,889
Non-current liabilities			
Shareholder loan	10	(19,317,053)	(16,818,053)
Deferred tax liability	6	-	(414,570)
Total non-current liabilities		(19,317,053)	(17,232,623)
Net assets		355,671	1,672,266
Capital and reserves			
Called up share capital	7	1	1
Revaluation reserve		483,947	2,181,947
Accumulated losses		(128,277)	(509,682)
Total equity		355,671	1,672,266

The financial statements on pages 11 to 24 were approved by the Board on 14 July 2022 and signed on its behalf by:



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S Lauder
Director

Threadneedle UKPEC II LP Holdco Limited
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Statement of Changes in Equity
for the year ended 5 April 2022

	Called up share capital £	Revaluation reserve £	Accumulated losses £	Total equity £
Balance at 6 April 2021	1	2,181,947	(509,682)	1,672,266
Loss for the financial year	-	(1,698,000)	381,405	(1,316,595)
Total comprehensive expense for the year	-	(1,698,000)	381,405	(1,316,595)
Balance at 5 April 2022	1	483,947	(128,277)	355,671

Statement of Changes in Equity
for the year ended 5 April 2021

	Called up share capital £	Revaluation reserve £	Accumulated losses £	Total equity £
Balance at 23 December 2019	-	-	-	-
Profit for the financial period	-	2,181,947	(509,682)	1,672,265
Total comprehensive income for the period	-	2,181,947	(509,682)	1,672,295
Issue of called up share capital	1	-	-	1
Balance at 5 April 2021	1	2,181,947	(509,682)	1,672,266

The notes on pages 15 to 24 form an integral part of these financial statements

Threadneedle UKPEC II LP Holdco Limited
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Statement of Cash Flows
for the year ended 5 April 2022

	Note	Year ended 5 April 2022 £	Period from 23 December 2019 to 5 April 2021 £
Net cash used in operating activities	12	-	(1)
Cash flow from investing activities:			
Contribution to investment in Airport City Limited Partnership		(2,498,000)	(16,818,053)
Cash flow used in investing activities		(2,498,000)	(16,818,053)
Cash flow from financing activities:			
Issue of called up share capital		-	1
Drawdown of shareholder loan		2,499,000	16,818,053
Cash flow generated from financing activities		2,499,000	16,818,054
Net increase in cash and cash equivalents		1,000	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		1,000	-
Cash and cash equivalents consist of:			
Cash at bank		1,000	-
Cash and cash equivalents		1,000	-

The notes on pages 15 to 24 form an integral part of these financial statements

Threadneedle UKPEC II LP Holdco Limited
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Notes to the Financial Statements

1 General information

Threadneedle UKPEC II LP Holdco Limited (the "Company") was incorporated in the United Kingdom on 23 December 2019. The Company's registration number is 12375336 and the Company's registered office is Cannon Place, 78 Cannon Street, London EC4N 6AG. The Company has been created with the sole purpose of holding an investment in the Airport City Limited Partnership ("ACN"). The principal activity of ACN is the development and trade of property at Manchester Airport under the Airport City masterplan.

The Company does not consolidate its interest in ACN, as it is not considered to control ACN and therefore is not required to consolidate, as defined under Section 9 of FRS 102.

The financial statements are presented in Pounds Sterling (£) which is also the Company's functional and operating currency.

The Company's entire share capital is held by Sackville Property Curtis (Jersey GP) Limited in its capacity as General Partner of Threadneedle UKPEC II Curtis Jersey LP, (a Jersey limited partnership, incorporated in Jersey with registration number 3100) (the "Partnership").

The Partnership's principal activity is property investment via investment in underlying investments.

2 Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Accounting policies

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

Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention as modified by the valuation of financial assets and liabilities at fair value through profit and loss and in accordance with United Kingdom Accounting Standards, including FRS 102 and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Going concern

The Directors have prepared the financial statements on a going concern basis. In assessing the going concern position of the Company, the Directors have considered the ongoing impact of COVID-19 and the Russian invasion of Ukraine on the cash flow and liquidity of the Company and are comfortable that the Company will remain cash-generative and has sufficient funding from the guarantee provided by the Partnership to enable it to continue to meet its liabilities as they fall due for at least the next 12 months from the date of the approval by the Directors of the financial statements.

Threadneedle UKPEC II LP Holdco Limited
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Notes to the Financial Statements (continued)

3 Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when (a) the amount of revenue can be measured reliably, (b) it is probable that future economic benefits will flow to the entity and (c) the right to receive payment is established.

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The Company's functional and presentational currency is Pounds Sterling (£).

Administrative expenses

Administrative expenses consist of costs associated with general administration of the Company and are recognised on an accruals basis.

Net interest expense

Interest receivable and interest payable are recognised on an accruals basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable relating to previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are not discounted.

Investment in ACN

The Company's investment in ACN is shown in the Statement of Financial Position at fair value. Initial recognition is measured at cost, based upon the cost of the original investment in ACN on the date of the acquisition. Any subsequent investment is measured at cost and any divestment is measured at realised value. After initial recognition, the Company's investment in the ACN is carried at fair value with revaluation gains and losses recognised in the Statement of Comprehensive Income. Any gain or loss on divestment is recognised as a realised gain/(loss) on divestment in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

Threadneedle UKPEC II LP Holdco Limited
Annual Report and Financial Statements
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Notes to the Financial Statements (continued)

3 Accounting policies (continued)

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairments. An allowance for impairment of trade and other receivables is established if the collection of a receivable becomes doubtful.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at the transaction price and subsequently measured at amortised cost, using the effective interest rate method.

Loans and borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, using the effective interest rate method.

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

Related party transactions

The Company discloses transactions with related parties if one party has the ability to control the other party or exercises significant influence over the other party in making financial or operational decisions.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Share capital is measured at the fair value of the cash received, net of all costs of issuing the share.

4 Critical accounting judgements and estimation uncertainty

Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future based on historical experience and adjusted for current market conditions and other factors. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are outlined below.

Fair value of investments

The principal assumptions underlying the estimation of fair value of the Company's investment in the Airport City Limited Partnership are those related to the fair value of the future discounted cashflows arising from future development projects. A valuation has been performed by CBRE Limited ("CBRE") who are professional, third party, independent Chartered Surveyors, at the year-end in accordance with RICS Appraisal and Valuation Standards. CBRE have based their valuation on future cashflows forecast to be generated from development projects. Where these projects are not contractual, CBRE have used judgement in applying appropriate discount factors. This valuation approach is sensitive to changes in key inputs. Small changes in variables (such as the timing of the development, finance and construction costs) have a disproportionate effect on the valuation. The valuation can therefore be susceptible to considerable variances as a result of changes in market conditions.

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Notes to the Financial Statements (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

Fair value of investments (continued)

Capital value movements by asset class are a key driver of net assets attributable to shareholders. Management considers a +/-5% change in capital value to be reasonably possible based on market conditions. A sensitivity analysis showing the impact on valuations for changes in fair value of investments is shown below.

	Independent valuation as at 05/04/2022 £	Valuation increased by 5%	Movement in valuation £	Valuation decreased by 5%	Movement in valuation £
Investment in ACN	19,800,000	20,790,000	990,000	18,810,000	(990,000)

5 Administrative expenses

	Year ended 5 April 2022 £	Period from 23 December 2019 to 5 April 2021 £
Fees payable to the Company's auditors:		
– Audit of the financial statements	38,378	30,000
– Tax fees	4,000	6,000
Management fee	73,165	49,112
Valuation fee	5,600	10,000
Other administrative expenses	150	-
	121,293	95,112

Directors' remuneration

For the year ended 5 April 2022, the Directors did not receive any remuneration directly for their services as directors of the Company with their remuneration borne by other companies within Threadneedle Asset Management UK International Holdings Limited.

Whilst the Company does not incur any charges for the remuneration of Directors, the Directors believe that the proportion of their aggregate remuneration applicable to the Company based on services provided is shown below:

	Year ended 5 April 2022 £	Period from 23 December 2019 to 5 April 2021 £
Aggregate remuneration	38,118	31,210
	38,118	31,210

A director's remuneration is not apportioned if their time worked represents a negligible proportion of their total responsibilities.

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Notes to the Financial Statements (continued)

Directors' remuneration (continued)

During the year/period, the numbers of directors who were receiving benefits and share incentives was as follows:

	Year ended 5 April 2022	Period from 23 December 2019 to 5 April 2021
Received or were entitled to receive shares under long term incentive schemes	6	6
Accruing benefits under pension schemes	4	4

Employees

The number of persons employed by the Company during the year was nil (2021: nil).

6 Tax on (loss)/profit

Total charged/(credited) in the Statement of Comprehensive Income is as follows:

	Year ended 5 April 2022	Period from 23 December 2019 to 5 April 2021
	£	£
Current tax:		
Tax charge for the financial year	332,634	-
Adjustments in respect of prior period	158,242	-
Total current tax	490,876	-
Deferred tax:		
Deferred tax on unrealised gains (reduction)/increase	(678,300)	414,570
Adjustments in respect of prior period	(176,314)	-
Impact of change in tax rate	(138,960)	-
Total deferred tax	(993,574)	414,570
Total tax (credit)/charge in the Statement of Comprehensive Income	(502,698)	414,570

The UK corporation tax applicable for the year is 19.0% (2021: 19.0%). The tax assessed to the Company for the year is lower than (2021: higher than) the standard rate of corporation tax in the UK. The differences are explained below:

(Loss)/profit before tax	(1,819,293)	2,086,835
(Loss)/profit before tax multiplied by the standard rate of corporation tax of 19%	(345,667)	396,499
Effects of:		
Expenses not subject to tax	-	18,071
Adjustments to current tax charge in respect of prior period	158,242	-
Adjustments to deferred tax charge in respect of prior period	(176,313)	-
Re-measurement of deferred tax - change in tax rate	(138,960)	-
Tax (credit)/charge for the year/period	(502,697)	414,570

Factors that may affect future current and total tax charges

In the Spring Budget 2021, the UK government announced that from 1 April 2023 the corporation tax rate would increase up to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021 and therefore any deferred taxes reflected in the financial statements at the balance sheet date have been measured using these enacted tax rates.

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Notes to the Financial Statements (continued)

7 Called up share capital

	2022	2021
	£	£
Balance at the beginning of the year/period	1	-
Called up share capital	-	1
Share capital at the end of the year/period	<u>1</u>	<u>1</u>

As at 5 April 2022, there was one ordinary share of £1 (2021: £1) in issue held by Sackville Property Curtis (Jersey GP) Limited in its capacity as General Partner of Threadneedle UKPEC II Curtis Jersey LP.

8 Investment in Airport City Limited Partnership

	2022	2021
	£	£
Balance at the beginning of the year/period	19,000,000	-
Purchase of investment	-	13,284,053
Additions	2,498,000	3,534,000
Net (loss)/gain on investment	(1,698,000)	2,181,947
Balance at the end of the year/period	<u>19,800,000</u>	<u>19,000,000</u>

9 Trade and other payables

	2022	2021
	£	£
Audit of the financial statements	27,938	30,000
Tax services	10,000	6,000
Amounts due to Manager	122,277	49,112
Valuation fees	6,000	10,000
Current tax liability	490,876	-
Amounts owed to the Partnership	50,190	-
Balance at the end of the year/period	<u>707,281</u>	<u>95,112</u>

10 Shareholder loan

	2022	2021
	£	£
Balance at the beginning of the year/period	16,818,053	-
Purchase of investment	-	13,284,053
Additional funding	2,499,000	3,534,000
Balance at the end of the year/period	<u>19,317,053</u>	<u>16,818,053</u>

To support the Company's acquisition of its interest in ACN which completed on 7 August 2020, the Partnership signed a Deed of Guarantee, committing funding of up to £30.00m which the Company will utilise for funding its loan commitments to ACN. As at 5 April 2022, the Partnership had contributed £19.32m (2021: £16.82m) to the Company from this guarantee leaving £10.68m (2021: £13.18m) available for the Company to draw. The Company will repay the loan to the Partnership upon disposal of its interest in ACN, which is anticipated to be late 2025 in line with the five-year business plan.

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Notes to the Financial Statements (continued)

11 Risk Management

The Company's operations expose it to a variety of financial risk that comprises market risk, cash flow risk, credit risk and liquidity risk. The directors have in place a risk management programme that seeks to limit the adverse effects on financial performance by monitoring all associated risks.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks arise from open positions in interest bearing assets, liabilities and derivative financial instruments to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to interest rate risk that may be accepted, which are monitored on a monthly basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Price risk

Price risk is the risk that the Company's financial position and performance will be affected by a change of market prices.

The Company's performance is determined by:

- the eventual selling price of the investment it holds in ACN. As a consequence, it benefits from any uplift in the value of the investment it holds and also participates in the deficit when the investment value fall;
- the income obtainable from the investment during the period they are held. The risk arises when there are variations such as the timing of the development, finance and construction costs.

In order to mitigate the risk, the Directors have considered the market price risk associated with particular industry and geographical sectors in formulation of its investment strategy.

Cash flow risk

Cash flow risk is the risk stemming from the lack of marketability of an investment. The Company's liquidity can be influenced by the Company's assets, comprising mainly of its investment in ACN, which may not be readily saleable.

The Directors actively monitor the Company's liquidity and cash flow position to ensure it has sufficient finances in order to fund its activities.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents held at banks, trade receivables, including rental receivables from lessees and derivatives.

Cash balances are held only with financial institutions with a Moody's credit rating of Baa3 or better. The Company limits the amount of credit exposure to any financial institution.

Liquidity risk

The amounts disclosed in the table below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the Statement of Financial Position, as the impact of discounting is not significant.

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Notes to the Financial Statements (continued)

11 Risk Management (continued)

The maturity analysis of financial instruments at 5 April 2022 is as follows:

	On Demand or within 12 months £	From 12 months to 2 years £	From 2 to 5 years £	Later than 5 years £	Total £
Assets					
Investment in Airport City Limited Partnership	-	-	19,800,000	-	19,800,000
Trade and other receivables	1	-	-	-	1
Liabilities					
Amounts due to Manager	122,277	-	-	-	122,277
Audit and tax fees	37,938	-	-	-	37,938
Valuation fees	6,000	-	-	-	6,000
Current tax	490,876	-	-	-	490,876
Amounts owed to Partnership	50,190	-	-	-	50,190
Shareholder loan	-	-	19,317,053	-	19,317,053

The maturity analysis of financial instruments at 5 April 2021 is as follows:

	On Demand or within 12 months £	From 12 months to 2 years £	From 2 to 5 years £	Later than 5 years £	Total £
Assets					
Investment in Airport City Limited Partnership	-	-	19,000,000	-	19,000,000
Trade and other receivables	1	-	-	-	1
Liabilities					
Amounts due to Manager	49,112	-	-	-	49,112
Audit and tax fees	36,000	-	-	-	36,000
Valuation fees	10,000	-	-	-	10,000
Shareholder loan	-	-	16,818,053	-	16,818,053
Deferred tax	-	-	414,570	-	414,570

Fair value estimation

The Company's investment in ACN is level 3, as defined by FRS 102, in the fair value hierarchy as at 5 April 2022 and 5 April 2021 and there were no transfers between levels during the year. Level 3 inputs used in valuing the investment in ACN are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

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Notes to the Financial Statements (continued)

11 Risk Management (continued)

Fair value estimation (continued)

The principal assumptions underlying the estimation of fair value of the Company's investment in the Airport City Limited Partnership are those related to the fair value of the future discounted cashflows arising from future development projects. A valuation has been performed by CBRE Limited ("CBRE") who are professional, third party, independent Chartered Surveyors, at the year-end in accordance with RICS Appraisal and Valuation Standards. CBRE have based their valuation on future cashflows forecast to be generated from development projects. Where these projects are not contractual, CBRE have used judgement in applying appropriate discount factors. This valuation approach is sensitive to changes in key inputs. Small changes in variables (such as the timing of the development, finance and construction costs) have a disproportionate effect on the valuation. The valuation can therefore be susceptible to considerable variances as a result of changes in market conditions.

Management considers a +/-5% change in capital value to be reasonably possible based on market conditions. A sensitivity analysis showing the impact on valuations for changes in capital values on each asset class based on market conditions is shown in Note 4.

12 Notes to the statement of cash flows

	Year ended 5 April 2022	Period from 23 December 2019 to 5 April 2021
	£	£
Total (loss)/profit for the financial year	(1,316,595)	1,672,265
Net loss/(gain) on investment in Airport City Limited Partnership	1,698,000	(2,181,947)
Net cash inflow/(outflow) from operating activities before movements in working capital	381,405	(509,682)
Working capital movements:		
– Increase in trade and other receivables	(579,004)	(1)
– (Decrease)/increase in trade and other payables	197,599	509,682
Net cash outflow from operating activities	-	(1)

13 Parent and ultimate parent undertaking

Sackville Property Curtis (Jersey GP) Limited holds the entire share capital of the Company in its name, solely in its capacity as general partner of Threadneedle UKPEC II Curtis Jersey LP. Threadneedle UKPEC II Curtis Jersey LP is the immediate and ultimate parent and controlling party. The address of its registered office is IFC1, The Esplanade, St Helier, Jersey JE1 4BP.

The financial statements of Sackville Property Curtis (Jersey GP) Limited and Threadneedle UKPEC II Curtis Jersey LP can be obtained by writing to the Manager, Threadneedle Investments (Channel Islands) Limited, IFC1, The Esplanade, St Helier, Jersey JE1 4BP.

14 Related party transactions

During the year the Company incurred management fees of £73,165 (2021: £49,112) from Threadneedle Investments (Channel Islands) Limited that provides advisory and management services. The balance due to the Manager at 5 April 2022 was £122,277 (2021: £49,112).

No contract of significance existed at any time during the year in which a Director or key manager was materially interested, or which requires disclosure as a related party transaction as defined under section 33 of FRS 102.

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Notes to the Financial Statements (continued)

15 Commitments and contingent liabilities

The Company had no contingent liabilities (2021: £nil) and had outstanding loan commitments of £10,682,947 (2021: £13,181,947) due to Airport City Limited Partnership as at 5 April 2022.

16 Post balance sheet events

There have been no material post balance sheet events which would provide additional evidence relating to conditions that existed at the balance sheet date.