# Threadneedle Curtis Limited
# (formerly MAG Investment Assets Limited)

## Annual report and financial statements
Registered Number 04330721
Period ended 5 April 2021

## Contents

# Company information

### Directors

S.Lauder (appointed 7 August 2020)
J Rigg (appointed 7 August 2020)
G Vullo (appointed 7 August 2020)
M Higginbotham (appointed 9 December 2020, resigned 22 March 2022)
T Weeks (appointed 9 December 2020)
P Stone (appointed 9 December 2020)
C Cornish (resigned 7 August 2020)
N Thompson (resigned 7 August 2020)
C Morrogh (appointed 7 August 2020, resigned 31 December 2020)
J Willcock (appointed 7 August 2020, resigned 31 December 2020)

### 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

## Strategic Report

The Directors present their strategic report for Threadneedle Curtis Limited a private company (formerly MAG Investment Assets Limited) (the "Company") for the period ended 5 April 2021. During the period, the Company's year end was changed from 31 March 2021 to 5 April 2021 to align with the tax year end. This has resulted in an extended reporting period and therefore prior year comparatives are not entirely comparable.

**Principal activity**

The principal activity of the Company is investment in UK commercial property. The Company's property portfolio comprises sixty-six commercial property assets including warehouses, offices, hotels and logistics development land adjacent to three of the UK's major airports.

In respect of investment activity, there were no property acquisitions and three disposals during the period. As at 5 April 2021, the Company held sixty-six properties in its property investment portfolio (2020: sixty-nine properties).

On 7 August 2020, Threadneedle UKPECII Curtis Jersey LP (the "Partnership") acquired 100% of the Company's share capital from Manchester Airport Group Investments Limited (the "Seller"). Threadneedle Investments (Channel Islands) Limited has been appointed as Manager to carry out duties for both the Company and Partnership as stated in the Management Agreement dated 7 February 2020. The Partnership's acquisition was funded through a combination of investor equity commitments and an external loan facility underwritten by Wells Fargo Bank N.A, London Branch. All existing intercompany debt was repaid at acquisition.

On 10 August 2020 the Company changed its name from MAG Investment Assets Limited to Threadneedle Curtis Limited and its registered address was changed to Cannon Place, 78 Cannon Street, London, England, EC4N 6AG.

**Business review and future outlook**

The operating profit for the period to 5 April 2021 amounted to £16.28m (2020: £25.71m) which, when added to gains on investment properties of £127.06m (2020: £9.16m), realised gains on disposals of £5.27m (2020: £nil), gain on derivative financial instruments of £0.87m (2020: £nil), finance expenses of £10.87m (2020: £14.56m), and tax on profit of £20.2m (2020: £3.44m), resulted in total profit for the financial period of £118.41m (2020: £16.87m).

Revenue decreased during the period to £23.95m (2020: £30.39m) due to a decrease in rental income, principally driven by the disposal of three properties, but also resulting from decreased rental income generated by the hotel property assets which experienced a marked reduction in occupancy rates caused by the disruption to passenger aviation during the COVID-19 pandemic.

As at 5 April 2021, there was additional uncertainty around the value of two hotel investment properties due to the ongoing disruption caused to passenger aviation following the outbreak of COVID-19. This has led the independent valuer to report the valuation at 5 April 2021 for these two investment properties on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. The two properties account for 6% of the fair value of the Company's property investment portfolio. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that, in the extraordinary circumstances caused by COVID-19, less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. The 'material valuation uncertainty' declaration for the two hotel properties had been removed when CBRE Limited reported the 30 June 2021 valuation of the Company's property investment portfolio (the entire portfolio is free of the 'material valuation uncertainty' declaration).

The Directors consider that the result of trading up to 5 April 2021 and the financial position as at 5 April 2021 is satisfactory in view of the general market conditions.

The period to 5 April 2021 was dominated by two macro events: COVID-19 was declared a 'global pandemic' by the World Health Organisation on 11 March 2020, and negotiations with the EU led to the formalisation of a new 'post-Brexit' trading relationship on 24 December 2020. Of these events, the pandemic has had by far the biggest economic and social impact, adversely affecting GDP growth, unemployment and government borrowing to a degree unprecedented in peacetime.

## Strategic Report *(continued)*

**Business review and future outlook (continued)**

The COVID-19 pandemic has most obviously affected the travel industry with a second UK national lockdown and a ban on international travel from 1Q21 resulting in the hotel sub-portfolio recording an occupancy rate at c.10% compared to pre-COVID occupancy levels at c.90%. As part of the Company's acquisition under the related Sales Purchase Agreement, £20m was held in escrow as a rental guarantee. The escrow sum was funded by the purchaser and provides the Partnership with protection from net rental income shortfalls below Threadneedle Curtis Limited's 2019 benchmark. The rental guarantee monies held in escrow are reduced annually on a straight line basis until 1 December 2023 with any surplus being released to the seller. For the period ended 5 April 2021, a total of £3.1m had been released from the escrow to the Partnership, leaving a of £3.5m available to draw before 1 December 2021. The escrow amounts are received by the Partnership, and in turn transferred to the Company as an intra-group loan upon receipt of a utilisation request.

The Directors assess that the Company's investment property portfolio is relatively insulated from declines in commercial passenger aviation and is predominately occupied by freight, private aviation and aircraft maintenance businesses. This is evidenced by 4Q20 and 1Q21 rental collection rates of >80% of sums demanded (with shortfalls collected by the Partnership from the rental guarantee escrow) as occupiers have continued trading across the portfolio throughout 2020 and 2021.

At this stage, the Directors of the Company do not believe there is a need to alter the investment strategy as a result of these economic uncertainties and due to the strength of the underlying investment property portfolio, cash holdings and availability of uncalled shareholder loan and vendor funded rental guarantee, the Company is expected to remain profitable and 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.

**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.

**Key performance indicators ('KPIs')**

The Directors consider the following to be their Key Performance Indicators:

- Total rental income;
- Profitability; and
- The movement in the fair value of the Company's investment property portfolio.

Performance against these indicators is discussed within the review of the business for the period as set out above.

On behalf of the Board

**S Lauder**
Director
21 April 2022

# Directors' report

The Directors present their Directors' report and audited financial statements for the Company for the period ended 5 April 2021.

### Directors

The Directors who held office during the period and up to the date of signing the financial statements were as follows:

C Cornish (resigned 7 August 2020)
N Thompson (resigned 7 August 2020)
S Lauder (appointed 7 August 2020)
C Morrogh (appointed 7 August 2020, resigned 31 December 2020)
J Rigg (appointed 7 August 2020)
G Vullo (appointed 7 August 2020)
J Willcock (appointed 7 August 2020, resigned 31 December 2020)
M Higginbotham (appointed 9 December 2020, resigned 22 March 2022)
T Weeks (appointed 9 December 2020)
P Stone (appointed 9 December 2020)

Upon sale of the Company to Threadneedle UKPECII Curtis Jersey LP on 7 August 2020, the directors of Manchester Airport Group Investments Limited, which owned Threadneedle Curtis Limited (formerly MAG Investment Assets Limited) resigned and new directors were appointed.

### Future developments

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

### Going concern

The Company's business activities, together with factors likely to affect its future development and position are set out in the Strategic Report on pages 2 and 3.

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 on the cash flow and liquidity of the Company, for a period of at least 12 months from signing these financial statements, and the corresponding impact on cash headroom.

For the period ended 5 April 2021, the Company generated revenue of £23.95m and profit before taxation of £138.61m. The Company held cash of £8.13m and has access to an undrawn income guarantee held in escrow with an independent party.

The income guarantee provides protection against rental income shortfalls and is drawn by the Partnership in quarterly instalments up to a maximum of £6.66m a year over a 3-year period with any surplus being released to the Seller. These sums can be drawn by the Company as an intra-group loan upon receipt of a utilisation request.

The Directors have prepared cash flow forecasts for the Company for a period of at least 12 months from the date of signing the financial statements and have also considered the impact of COVID-19 upon the Company's financial position and covenant calculations. These forecasts take into account the impact of COVID-19, including non-payment from property occupiers, whilst assuming no cost mitigation actions are taken to reduce the cost base.

The forecast indicates that the Company will remain cash-generative, have sufficient funding from the income guarantee and continue to meet its covenant calculations and 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.

The Directors also considered possible mitigating circumstances and actions in the event of such scenarios occurring, including drawing down the income guarantee and generating cash through the sale of an investment property.

# Directors' report (continued)

**Going concern (continued)**

The Directors, therefore, consider that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing the financial statements and have prepared them on a going concern basis.

**Directors' liabilities**

During the period 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.

**Risk management**

The Company's operations expose it to a variety of financial risk that comprises market risk (including interest rate risk and other price 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.

**Principal risks and uncertainties**

***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 and liabilities 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 properties it holds. As a consequence, it benefits from any uplift in the value of property it holds and also participates in the deficit when property values fall;
• the rental income obtainable from the investment properties during the period they are held. The risk arises when there are adverse trends in the property rental market..

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

***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.

Such risks are subject to a quarterly or more frequent review. In order to mitigate this risk, the Director's performs credit checks on potential customers before lease contracts are undertaken. Any overdue debts are chased on a regular basis.

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.

## Directors' report (continued)

**Principal risks and uncertainties (continued)**

***Credit Risk (continued)***

Revenues are derived from multiple tenants and at 5 April 2021 no single tenant or group under common control contributes more than 10% of the Company's revenues. As at 5 April 2021, trade debtors of £5.9m included a bad debt provision of £1.0m.

***Cash Flow and Interest Rate 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 following:

i. the Company's assets, comprising mainly of its investment in property, may not be readily saleable;
ii. decline in rental market can lead to uncertainty of income received from the property assets.

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

Interest rate risk arises due to changes in interest rates. The Company has interest-bearing loans and any rise in interest rates would adversely affect its financial position. To manage this risk, the Company has entered into interest rate hedging contracts which effectively fixes the rate of interest on 70% of the bank debt.

***Political donations***

The Company has made no political donations and incurred no political expenditure during the period (2020: £nil).

***Dividends***

No dividends were declared or paid during the period (2020: £nil).

**Statement of Directors' responsibilities in respect of 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 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.

# Directors' report (continued)

**Statement of Directors' responsibilities in respect of the financial statements (continued)**

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**

PricewaterhouseCoopers LLP were appointed as auditors during the period. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution will be proposed concerning their reappointment in accordance with the requirements of Section 485 of the Companies Act 2006.

Approved by the Board on 21 April 2022 and signed on its behalf by

**S Lauder**
Director

# Independent auditors' report to the members of Threadneedle Curtis Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Threadneedle Curtis Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 5 April 2021 and of its profit and cash flows for the period from 1 April 2020 to 5 April 2021;
- 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 2021; the Statement of comprehensive income, the Statement of changes in equity and the Statement of cash flows for the period 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.

### 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.

**Reporting on other information** *(continued)*

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 period ended 5 April 2021 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.

**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 compliance with 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 or intentional bias in estimation with respect to the valuation of investment properties. Audit procedures performed by the engagement team included:

# Independent auditors' report to the members of Threadneedle Curtis Limited *(continued)*

**Responsibilities of the directors for the financial statements** *(continued)*

- Checking the accuracy of the property valuations recognised in the financial statements with underlying evidence provided by the third-party valuers. Additionally, we utilised our independent valuation experts to assess whether the implied yields of the properties were within a reasonable range based on published benchmarks and the experience of our experts;
- 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;
- Identifying and testing journal entries, including those journals posted with unusual account combinations; 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.

## 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.

Shujaat Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
21 April 2022

## Statement of comprehensive income

*for the period ended 5 April 2021*

| | Note | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|---|
| | | **£000** | **£000** |
| Revenue | *5* | 23,952 | 30,393 |
| Cost of sales | *6* | (6,660) | (4,264) |
| **Gross profit** | | **17,292** | **26,129** |
| Administrative expenses | *8* | (1,827) | (416) |
| Other operating income | | 816 | - |
| **Operating profit** | | **16,281** | **25,713** |
| Gains on investment properties | *12* | 127,059 | 9,155 |
| Realised gain on disposal | | 5,271 | - |
| Gain on derivative financial instruments | *14* | 866 | - |
| Finance expenses | *10* | (10,872) | (14,563) |
| **Profit before taxation** | | **138,605** | **20,305** |
| Tax on profit | *11* | (20,198) | (3,440) |
| **Profit after taxation** | | **118,407** | **16,865** |

The results presented above are all derived from the Company's continuing operations.

The notes on pages 15 to 33 form an integral part of these financial statements.

## Statement of financial position
*as at 5 April 2021*

| | Note | As at 5 April 2021 £000 | Restated As at 31 March 2020 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 12 | 511,091 | 452,310 |
| Other long-term assets | | - | 360 |
| Lease incentives receivable | | 5,099 | - |
| Derivative financial instrument | 14 | 866 | - |
| | | **517,056** | **452,670** |
| **Current assets** | | | |
| Lease incentives receivable | | 351 | - |
| Trade and other receivables | 15 | 7,159 | 8,257 |
| Cash at bank | | 8,125 | 7,302 |
| | | **15,635** | **15,559** |
| **Total assets** | | **532,691** | **468,229** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | (10,584) | (390,246) |
| Loans and borrowings | 17 | (8,934) | - |
| | | **(19,518)** | **(390,246)** |
| **Net current liabilities** | | **(3,883)** | **(374,687)** |
| **Total assets less current liabilities** | | **513,173** | **77,983** |
| **Non-current liabilities** | | | |
| Loans and borrowings | 17 | (151,943) | - |
| Shareholder loan | 18 | (128,318) | - |
| Finance lease obligations | 13 | (20,673) | (21,391) |
| Deferred tax | 19 | (27,707) | (6,976) |
| | | **(328,641)** | (28,367) |
| **Total liabilities** | | **(348,159)** | **(418,613)** |
| **Net assets** | | **184,532** | **49,616** |
| **Capital and reserves** | | | |
| Share capital | | - | - |
| Retained earnings | 20 | 168,023 | 49,616 |
| Capital contribution reserve | 18 | 16,509 | - |
| **Total equity** | | **184,532** | **49,616** |

The notes on pages 15 to 33 form an integral part of these financial statements.

These financial statements of Threadneedle Curtis Limited, registered number 04330721, were approved by the board of directors on 21 April 2022 and were signed on its behalf by:

**S Lauder**
Director

## Statement of changes in equity

*for the period ended 5 April 2021*

| | Called up share capital £000 | Capital Contribution Reserve £000 | Retained earnings £000 | Total Equity £000 |
|---|---|---|---|---|
| Balance at 1 April 2020 | - | - | 49,616 | 49,616 |
| **Total comprehensive income for the financial period** | | | | |
| Profit for the financial period | - | - | 118,407 | 118,407 |
| Total comprehensive income for the financial period | - | - | **118,407** | **118,407** |
| **Transactions with owners recorded directly in equity** | | | | |
| Shareholder loans advanced | - | 16,509 | - | 16,509 |
| **Balance at 5 April 2021** | - | **16,509** | **168,023** | **184,532** |

*Check totals*

| | Called up share capital £000 | Capital Contribution Reserve £000 | Retained earnings £000 | Total Equity £000 |
|---|---|---|---|---|
| Balance at 1 April 2019 | - | - | 32,751 | 32,751 |
| ***Total comprehensive income for the financial year*** | | | | |
| Profit for the financial year | - | - | 16,865 | 16,865 |
| **Total comprehensive income for the financial year** | - | - | **16,865** | **16,865** |
| **Transactions with owners recorded directly in equity** | | | | |
| Dividends paid | - | - | - | - |
| **Balance at 31 March 2020** | - | - | **49,616** | **49,616** |

The notes on pages 15 to 33 form an integral part of these financial statements.

## Statement of cash flows

*for the period ended 5 April 2021*

| | Note | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|---|
| | | **£000** | **£000** |
| Net cash from operating activities | 22 | 12,999 | 23,438 |
| **Net cash generated from operating activities** | | **12,999** | **23,438** |
| **Cash flow from investing activities:** | | | |
| Capital expenditure | | (5,301) | (7,379) |
| **Cash flow used in investing activities** | | **(5,301)** | **(7,379)** |
| **Cash flow from financing activities:** | | | |
| Amounts owed to group undertakings | | (1,605) | (12,184) |
| Bank debt advanced | | 2,006 | - |
| Bank debt repaid | | (1,066) | - |
| Interest paid | | (6,210) | - |
| **Cash flow used in financing activities** | | **(6,875)** | **(12,184)** |
| **Net increase in cash and cash equivalents** | | **823** | **3,875** |
| Cash and cash equivalents at the beginning of the period/year | | 7,302 | 3,427 |
| Cash and cash equivalents at the end of the period/year | | 8,125 | 7,302 |
| **Cash and cash equivalents consist of:** | | | |
| Cash at bank and in hand | | 8,125 | 7,302 |
| **Cash and cash equivalents** | | **8,125** | **7,302** |

The notes on pages 15 to 33 form an integral part of these financial statements.

# Notes to the financial statements

## 1 General information

Threadneedle Curtis Limited (formerly MAG Investment Assets Limited) (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 04330721 and the registered address is Cannon Place, 78 Cannon Street, London, England, EC4N 6AG.

## 2 Statement of compliance

These financial statements 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, 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 period to 5 April 2021 was dominated by two macro events: COVID-19 was declared a 'global pandemic' by the World Health Organisation on 11 March 2020, and negotiations with the EU led to the formalisation of a new 'post-Brexit' trading relationship on 24 December 2020. Of these events, the pandemic has had by far the biggest economic and social impact, adversely affecting GDP growth, unemployment and government borrowing to a degree unprecedented in peacetime.

The COVID-19 pandemic has most obviously affected the travel industry with a second UK national lockdown and a ban on international travel from 1Q21 resulting in the hotel sub-portfolio recording an occupancy rate at c.10% compared to pre-COVID occupancy levels at c.90%. As part of the Company's acquisition, a £20.0m income guarantee was agreed for the first 3 years post acquisition. The income guarantee provided by the Seller (from acquisition proceeds) provides protection from hotel turnover shortfalls below the 2019 benchmark. During the period ended 5 April 2021 a total of £3.1m was released from the escrow, resulting in a total remaining of £16.9m at 5 April 2021. The escrow is drawn by the Partnership and made available to the Company to ensure the Company has sufficient liquidity to meets its obligations.

The Directors assess that the Company's property portfolio is relatively insulated from declines in commercial passenger aviation and is predominately occupied by freight, private aviation and aircraft maintenance businesses. This is evidenced by 4Q20 and 1Q21 rental collection rates of >80% of sums demanded (excluding turnover rents) as occupiers have continued trading across the portfolio throughout 2020 and 2021.

At this stage, the Directors of the Company do not believe there is a need to alter the investment strategy as a result of these economic uncertainties and due to the strength of the underlying investment property portfolio, cash holdings and availability of uncalled investor equity and vendor funded rental guarantee, the Company is expected to remain profitable and 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.

# Notes to the financial statements *(continued)*

## 3 Accounting policies *(continued)*

**Going concern** *(continued)*

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 on the cash flow and liquidity of the Company, for a period of at least 12 months from signing these financial statements, and the corresponding impact on cash headroom.

At the period ended 5 April 2021, the Company generated revenue of £23.95m and profit before taxation of £138.61m. The Company held cash of £8.13m and had access to an undrawn income guarantee of £16.9m held in escrow with an independent party. The rental guarantee monies held in escrow are reduced annually on a stright line basis until 1 December 2023 with any surplus being released to the seller.

The Directors have prepared cash flow forecasts for the Company for a period of at least 12 months from the date of signing the financial statements and have also considered the impact of COVID-19 upon the Company's financial position and covenant calculations in a severe, but plausible, downside scenario. The severe, but plausible, downside scenario takes into account the impact of COVID-19, including non-payment from property occupiers, whilst assuming no cost mitigation actions are taken to reduce the cost base.

The Directors also considered possible mitigating circumstances and actions in the event of such scenarios occurring, including drawing down on the income guarantee, reducing repayments of the external debt facility to the minimum required amount and generating cash through the sale of an investment property.

The severe, but plausible, downside scenarios tested indicate that the Company will remain cash-generative, have sufficient funding from the income guarantee and continue to meet its covenant calculations and 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.

**Functional and presentation currency**

The financial statements are presented in pounds sterling (£) and rounded to thousands. The Company's functional and presentation currency is pound sterling (£).

**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.

Revenue consists principally of rental income and service charge income receivable from tenants in the period and is recognised on an accruals basis. Rental income received in advance is deferred and recognised in the period to which it relates and is recognised separately on the Statement of financial position.

In accordance with FRS 102, leases which contain incentives for entering lease arrangements are spread evenly over the lease term, even if payments are not made on that basis. The valuation of the investment properties is reduced by the total of the unamortised lease incentive. The resulting asset is reflected as a receivable in the Statement of financial position. Any remaining lease incentives in respect of property disposals are included in the calculation of the gain or loss arising at disposal.

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (6 April 2015) and continued to recognise such lease incentives in the Statement of comprehensive income over the shorter of the lease period or the period to when the rental was set to a fair market rent.

## Notes to the financial statements *(continued)*

### 3 Accounting policies *(continued)*

**Cost of sales**

Expenditure is accounted for on an accruals basis.

Service charge revenue and service charge expenditure attributable to tenants are accounted for within property income and property expenses respectively and are recognised on an accruals basis. Service charge void costs attributable to the Company are included in property expenses.

**Administrative expenses**

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

**Finance expenses**

Finance income and finance expenses are recognised on an accruals basis.

**Employee benefits**

During the period to 7 August 2020, the Company provided a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, and defined benefit and defined contribution pension plans. After 8 August 2020, the Company did not have any employees and all employment benefits were settled prior to their departure and no further costs were incurred.

*Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

*Defined contribution plans and other long-term employee benefits*

During the period to 7 August 2020, the Company operated a defined contribution pension scheme for all qualifying employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the years during which services are rendered by employees. Amounts not paid are shown in accruals in the Statement of financial position. The assets of the plan are held separately from the Company, in independently administered funds.

*Annual bonus plan*

During the period to 7 August 2020, the Company operated a number of annual bonus plans for employees. An expense is recognised in the Statement of comprehensive income when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

**Taxation**

Tax on profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable relating to previous years.

# Notes to the financial statements *(continued)*

## 3 Accounting policies *(continued)*

### Taxation *(continued)*

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.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. For investment properties that are measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the property.

Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### Investment properties

Properties that are held for long-term rental income or for capital appreciation or both, and that is not owner-occupied, are classified as investment properties and accounted for in accordance with FRS 102 Section 16.

Investment properties are measured initially at cost, including related transaction costs, on the date of acquisition or the date of unconditional exchange, if earlier. After initial recognition, investment property is carried at fair value, after the deduction of unamortised lease incentives. Revaluation gains and losses are recognised in the Income Statement.

Valuations are performed by CBRE Limited who are professional, third party, independent Chartered Surveyors, at the year end in accordance with RICS Appraisal and Valuation Standards. Both valuers hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Fair value is based on active market information, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available alternative valuation methods are used, such as recent prices of similar properties in less active markets with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, or discounted cash flow projections.

In the prior year, the fair value of the Company's commercial investment property had been arrived at with reference to a valuation carried out by Savills plc and in conjunction with the bid price for the Company as at 31 March 2020.

Disposals of investment properties are recognised on legal completion of contracts.

### Cash at bank

Cash at bank 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.

### 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.

# Notes to the financial statements *(continued)*

## 3 Accounting policies *(continued)*

### 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.

### Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

### 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.

### Financing Leases

Assets held under finance leases, which transfer to the Company as lessee substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease with a corresponding liability being recognised for the fair value if the leased asset or, if higher, the present value of the minimum lease payments.

### 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.

### Restatement

During the period ending 5 April 2021, it was discovered that no adjustment had been made for the finance leases in the financial statements of the Company for the year ending 31 March 2020. The omission was the result of an error in the production of the 31 March 2020 financial statements.

In these financial statements, the Directors have restated the prior year comparative information for the finance leases in the Statement of financial position.

For the year ended 31 March 2020, this restatement has resulted in the following:

| Statement of financial position | 31 March 2020 – Prior to Adjustment | Restatement Adjustment | 31 March 2020 – Restated |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Investment properties** | 430,750 | 21,560 | 452,310 |
| **Finance lease obligations** | - | (21,391) | (21,391) |
| **Trade and other payables** | (390,077) | (169) | (390,246) |

# Notes to the financial statements *(continued)*

## 4 Critical accounting judgments and estimations

### 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.

### Investment properties

The principal assumptions underlying the estimation of fair value are those related to the receipt of contractual rentals, expected future market rentals, void periods, lease incentives, maintenance requirements, appropriate yields/discount rates and, for development properties, future development expenditure and development management fees. These valuations are regularly compared to actual market yield data and actual transactions by the Company and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

There are inter-relationships between these inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the inter-relationship of two inputs in opposite directions, e.g. an increase in rent may be offset by an increase in yield.

Capital value movements by asset class are a key driver of net assets attributable to partners. 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 below.

| Property Sector | Independent valuation as at 05/04/2021 £000 | Valuation increased by +5% £000 | Movement in valuation £000 | Valuation increased by -5% £000 | Movement in valuation £000 |
|---|---|---|---|---|---|
| Industrial / Warehouse | 270,892 | 284,437 | 13,545 | 257,348 | (13,545) |
| Out of Town Offices | 55,515 | 58,291 | 2,776 | 52,739 | (2,776) |
| Miscellaneous | 168,743 | 177,180 | 8,437 | 160,306 | (8,437) |
| **Total** | **495,150** | **519,908** | **24,758** | **470,393** | **(24,758)** |

### Fair value of derivative financial instruments

The fair value of derivative financial instruments, are prepared in accordance with FRS 102 section 12 guidelines. As such the fair value disclosed is based upon the amount for which any derivative asset, or liability, could be settled between knowledgeable, willing parties in an arm's length transaction. This fair value is calculated using the bid-point of the relevant yield curve prevailing on the reporting date, and represents the net present value of the payments that the Company expects to receive from (or pay) its counterparty over the remaining life of the instrument. The derivative financial instruments agreements are valued to by Independent Risk Management Solutions Ltd.

### Deferred tax

Deferred tax is calculated with reference to unrealised gains on valuation changes of investment properties. The principal assumptions underlying the estimation of deferred tax are those related to the fair valuation of investment properties. Further details of these estimates are detailed above.

## Notes to the financial statements *(continued)*

### 5 Revenue

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | £000 | £000 |
| Rental income | 22,823 | 30,227 |
| Service charge income | 1,128 | - |
| Other income | 1 | 166 |
| | 23,952 | 30,393 |

All of the Company's revenue arises in the United Kingdom and details of the revenue generated by each of the Company's key activities are disclosed above.

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | £000 | £000 |
| Not later than one year | 19,117 | 15,756 |
| Later than one year and not later than five years | 79,164 | 39,584 |
| Later than five years | 416,613 | 189,764 |
| | 514,894 | 245,104 |

Contingent rents recognised as income were £nil in 2021 (2020: £nil).

The Company leases its investment properties under operating leases to a variety of tenants and over varying periods.

### 6 Cost of sales

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | £000 | £000 |
| Service charge expense | 1,648 | - |
| Bad Debt Provision | 1,032 | - |
| Bad Debt Write Off | 1,140 | - |
| Headlease | 830 | - |
| Other property related expenses | 2,010 | 4,264 |
| | 6,660 | 4,264 |

# Notes to the financial statements *(continued)*

## 7 Remuneration of directors

For the year ended 31 March 2020, the two serving directors (C Cornish and N Thompson) were Directors of Manchester Airports Holdings Limited, and their aggregate remuneration is disclosed in that company's consolidated financial statements.

For the period ended 5 April 2021, C Cornish and N Thompson resigned as directors of the Company on 7 August 2021. On 7 August 2021, six individuals were appointed as directors of the Company. The directors do 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:

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | £000 | £000 |
| Aggregate remuneration | 120 | 668 |
| | 120 | 668 |

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

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

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | No. | No. |
| Received or were entitled to receive shares under long term incentive shemes | 6 | - |
| Accruing benefits under pension schemes | 4 | - |

## 8 Administrative expenses

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | £000 | £000 |
| Management fees | 1,563 | - |
| Fees related to the audit of the financial statements | 95 | - |
| Employee benefit costs | 119 | 416 |
| Other expenses | 50 | - |
| | 1,827 | 416 |

## Notes to the financial statements *(continued)*

### 9 Employees

The average number of persons employed by the Company (including Directors) during the period/year, analysed by category, was as follows:

| | Number of employees | |
|---|---|---|
| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
| Management and administrative | 1 | 3 |
| | 1 | 3 |

On 8 August 2020, one employee was made redundant and the remaining two employees were transferred by TUPE to the Company's property managing agents Workman LLP.

The aggregate employee benefit costs of these persons were as follows:

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | £000 | £000 |
| Wages and salaries | 105 | 360 |
| Social security costs | 7 | 39 |
| Other pension costs | 7 | 17 |
| | 119 | 416 |

### 10 Finance expenses

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | £000 | £000 |
| Interest expense to fellow group companies | 3,641 | 14,563 |
| Swap interest | 116 | - |
| Bank loan interest | 3,004 | - |
| Bank loan arrangement costs | 4,111 | - |
| | 10,872 | 14,563 |

Interest expenses to fellow group companies represents interest on loans provided by a member of the Manchester Airport Plc group of companies. As at 7 August 2020, all intercompany debt with the Manchester Airport Plc group was repaid.

# Notes to the financial statements *(continued)*

## 11 Tax on profit

***Total tax expense recognised in the Statement of Comprehensive Income***

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | **£000** | **£000** |
| *Current taxation* | | |
| Current tax on income for the financial period/year | 1,028 | 2,147 |
| Adjustments relating to prior financial years | (1,561) | (586) |
| **Total current taxation** | **(533)** | **1,561** |

Adjustments relating to both current and deferred taxation for the prior financial years, has arisen due to group relief while the Company was part of the Manchester Airport Group of companies.

| | | |
|---|---|---|
| *Deferred taxation* | | |
| Tax charge for the financial period/year on unrealised gains | 20,800 | 1,283 |
| Adjustment relating to prior financial years | (69) | (3) |
| Effect of change in rate of corporation tax | - | 599 |
| **Total deferred taxation** | **20,731** | **1,879** |
| Total tax expense | 20,198 | 3,440 |

The tax on profit for the financial period is lower than the standard rate of corporation tax in the UK of 19.0% (2020: lower than the standard rate of corporation tax in the UK of 19.0%).

***Reconciliation of effective tax rate***

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| *Current tax reconciliation* | **£000** | £000 |
| Profit for the financial period/year | 118,407 | 16,865 |
| Total tax expense | 20,198 | 3,440 |
| Profit before taxation | **138,605** | **20,305** |
| Profit before taxation multiplied by the standard rate of corporation tax of 19% (2020: 19%) | **26,335** | **3,858** |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | - | 29 |
| Income not taxable | - | (1,740) |
| Adjustments to current tax charge in respect of previous periods | (1,561) | (586) |
| Adjustments to deferred tax charge in respect of previous periods | (69) | (3) |
| Deferred tax not recognised | - | 1,283 |
| Effect of change in rate of corporation tax | - | 599 |
| Gain on derivative financial instruments not deductible for tax purposes | (165) | - |
| Gains on sale of properties | (4,342) | - |
| Total tax expense included in Statement of comprehensive income | 20,198 | 3,440 |

# Notes to the financial statements *(continued)*

## 11 Tax on profit *(continued)*

***Factors that may effect future, current and total tax charges***

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax on profit for the period by £6.9m (2020: £2.2m).

## 12 Investment properties

| | 2021 £000 | Restated 2020 £000 |
|---|---|---|
| Balance at 1 April | 452,310 | 438,350 |
| Additions | 5,301 | 7,379 |
| Transfers to other group companies | (73,579) | (2,400) |
| Movement in fair value of investment properties | 127,228 | 9,155 |
| Financing lease value | (169) | (174) |
| ***Balance at 5 April/31 March*** | **511,091** | **452,310** |
| **Valuation by CBRE Limited, Chartered Surveyors, at fair value** | | |
| At 5 April 2021 | **495,150** | |
| Historical cost net book value | 345,372 | 389,671 |

In the prior year, the fair value of the Company's commercial investment property had been arrived at with reference to a valuation carried out by Savills plc and in conjunction with the bid price for the Company as at 31 March 2020.

On 30 July 2020, the Company transferred Enterprise House from the Investment Property portfolio to Stansted Airport Limited for a price of £27.70m (fair value at 31 March 2020: £27.35m).

On 6 August 2020, the Company transferred Hangar 1 and Hangar 2 from the Investment Property portfolio to Manchester Airport Plc for a price of £51.15m (fair value at 31 March 2020: £46.23m).

The valuation as at 5 April 2021 is calculated after deducting the value of lease incentives receivable amounting to £5.45m (2020: £nil) and the addition of financing leases of £28.90m (2020: £29.10m). The value of lease incentives receivable is shown on the Statement of financial position as a non-current asset of £5.10m (2020: £nil) and a current asset of £0.35m (2020: £nil). The value of financing leases is shown in the Balance Sheet and consists of non-current assets of £28.14m (2020: £28.90m) and current assets of £0.76m (2020: £0.20m).

As at 5 April 2021, there was additional uncertainty around the value of two hotel investment properties due to the ongoing disruption caused to passenger aviation following the outbreak of COVID-19. This has led the independent valuer to report the valuation at 5 April 2021 for these two investment properties on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. The two properties account for 6% of the fair value of the Company's property investment portfolio. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that, in the extraordinary circumstances caused by COVID-19, less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. The 'material valuation uncertainty' declaration for the two hotel properties had been removed when CBRE Limited reported the 30 June 2021 valuation of the Company's property investment portfolio (the entire portfolio is free of the 'material valuation uncertainty' declaration).

# Notes to the financial statements *(continued)*

## 12 Investment properties (continued)

***Fair Value Estimation***

The Company's investment properties are level 3, as defined by FRS 102, in the fair value hierarchy as at 5 April 2021 and there were no transfers between levels during the period. Level 3 inputs used in valuing the investment properties 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).

Fair value is based on valuations provided by third party, independent chartered surveyors. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Company.

The significant unobservable inputs used in the fair value measurement of the Company's investment properties are yield and expected future market rentals. An increase/decrease to expected future market rentals will increase/decrease valuations, while an increase/decrease to yield will decrease/increase valuations.

There are inter-relationships between these inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the impact on the valuation.

The impact on the valuation will be mitigated by the inter-relationship of two inputs in opposite directions, e.g. an increase in rent may be offset by an increase in yield.

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.

## 13 Finance lease obligations

The Company has lease agreements in respect of land and buildings for which the payments extend over a number of years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Within one year | 922 | 922 |
| In two to five years | 3,686 | 3,686 |
| In over five years | 160,719 | 161,641 |
| | **165,327** | **166,249** |
| Future finance charges on finance lease liabilities | (143,936) | (144,689) |
| Present value of finance lease liabilities | **21,391** | **21,560** |

The present value of finance leases is as follows:

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Within one year | 718 | 169 |
| In two to five years | 2,675 | 2,753 |
| In over five years | 17,998 | 18,638 |
| **Present value of finance lease liabilities** | **21,391** | **21,560** |

# Notes to the financial statements *(continued)*

## 14 Derivative financial instruments

Derivative financial instruments were entered into as part of the interest rate management strategy as detailed below:

| Counterparty | Type | Notional Sum | Effective Date | Maturity Date | Swap interest payable/ Cap strike rate | Swap interest receivable | Fair Value 2021 | Fair Value 2020 |
|---|---|---|---|---|---|---|---|---|
| | | £ | | | | | £ | £ |
| Wells Fargo Securities International Limited | Swap | 70,000,000 | 10-Aug-20 | 07-Aug-25 | 0.299% | 3 month LIBOR - | 536,388 | - |
| Wells Fargo Securities International Limited | Cap | 44,310,000 | 10-Aug-20 | 07-Aug-25 | 1.00% | n/a | 329,245 | - |
| **Total** | | | | | | | **865,633** | - |

During the period to 5 April 2021 a fair value gain of £865,633 (2020: £nil) was recognised in statement of comprehensive income for changes in both derivative financial instruments.
Interest on the interest rate swap is paid quarterly.

## 15 Trade and other receivables

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Trade receivables | 5,882 | 4,192 |
| Amounts owed by group undertakings | - | 13 |
| Other receivables | 225 | - |
| Taxation and social security (includes corporation tax) | 1,052 | - |
| Prepayments and accrued income | - | 4,052 |
| | 7,159 | 8,257 |

## Notes to the financial statements *(continued)*

### 16 Trade and other payables

| | 2021 | Restated 2020 |
|---|---|---|
| | £000 | £000 |
| Trade payables | 139 | 140 |
| Amounts owed to group undertakings | - | 381,591 |
| Taxation and social security (includes corporation tax) | - | 634 |
| Finance lease obligations | 718 | 169 |
| Accruals and deferred income | 3,511 | 7,348 |
| Loan interest & swap payable | 1,021 | - |
| Rent deposits | 342 | - |
| Amounts due to Manager | 1,563 | - |
| Service charge creditor | 1,012 | - |
| Service charge void accrual | 83 | - |
| Sinking fund | 345 | - |
| Amounts due to the Partnership | 920 | - |
| Other payables | 930 | 364 |
| | 10,584 | 390,246 |

In the prior year, amounts due to group undertakings represent loans from Manchester Airport Plc, Stansted Airport Limited and East Midlands International Airport Limited. The annual intergroup interest payable to Manchester Airport Plc was calculated at a rate of LIBOR + 1.5% and 5.19% for both Stansted Airport Limited and East Midlands International Airport Limited. All other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

On 7 August 2020, the Company was sold to the Partnership. As part of the sale, all amounts owed to former group undertakings were settled.

### 17 Loans and borrowings: amounts falling due within one year

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Bank loans | 8,934 | - |
| | 8,934 | - |

**Loans and borrowings:** amounts falling due after more than one year

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Bank loans | 151,943 | - |
| | 151,943 | - |
| Total bank loans | 160,877 | - |

The bank loans total £160.88m and represent the total amount of funds drawn down from a £163.30m loan facility and includes repayments of £1.07m completed during the period. The loan facility is provided to the Company by Wells Fargo Bank, N.A. London Branch, the term of which is 5 years expiring 30 July 2025, or if earlier, on termination of the Company.

# Notes to the financial statements *(continued)*

**17 Loans and borrowings:** amounts falling due after more than one year *(continued)*

The loan facility requires the Company to repay a total of £10m by 15 July 2021, a total of £20m by 15 July 2022 and a total of £36m by 15 July 2023. As at 5 April 2021, the Company had repaid £1.07m of the bank loan resulting in £8.93m of loan facility being due for repayment within 12 months.

Interest is payable quarterly in arrears calculated based on a margin of 2.75% over 3 month LIBOR.

The bank loans of £160.88m are secured on the underlying investment properties.

The Company has an interest-bearing loan and any rise in interest rates would adversely affect its financial position. The risk is mitigated by the deployment of an interest rate swap and cap agreement which effectively fixes the rate of interest on 70% of the bank debt.

The table below illustrates how a variance in the 3 Month LIBOR interest rate would impact the Profit before taxation for the period with all other variables remaining constant:

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | £000 | £000 |
| LIBOR 100 Basis Points Higher | 1,060 | n/a |
| LIBOR Was Zero (Only Margin Paid) | (89) | n/a |

**18 Capital contribution reserve**

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Balance at 1 April 2020 | - | - |
| Advance of shareholder loan | 144,827 | |
| Balance at 5 April 2021 | **144,827** | - |
| Fair value adjustment | (16,509) | - |
| Shareholders loan at fair value | **128,318** | - |

The Company and Partnership have signed a Shareholder Loan Agreement, providing the Company with an interest free loan facility of £168.1m. As at 5 April 2021, the Company had utilised £144.83m of the facility leaving £23.27m to be drawn by the Company. The Company may at any time prepay the loan in whole or in part, but shall be paid and repaid in full on 7 August 2025. No interest shall be payable by the Company. The fair value of the loan has been calculated using a market rate of interest for a similar loan being 2.82642%.

## Notes to the financial statements *(continued)*

### 19 Deferred tax

| | Deferred tax on investment properties |
|---|---|
| | £000 |
| At 1 April 2020 | (6,976) |
| Charge to Statement of comprehensive income | (20,731) |
| **At 5 April 2021** | **(27,707)** |

| | Deferred tax on investment properties |
|---|---|
| | £000 |
| At 1 April 2019 | (5,096) |
| Charge to Statement of comprehensive income | (1,880) |
| **At 31 March 2020** | **(6,976)** |

The 31 March 2020 deferred tax accrual has been amended in these financial statements to £6,976 compared to £6,975 which was reported in note 12 of the prior year financial statements. This amendment has been made to make the note consistent with the balance reported in the Statement of financial position in the prior year financial statements.

### 20 Retained earnings

| 2021 | Retained Earnings £000 | Total £000 |
|---|---|---|
| At 1 April 2020 | 49,616 | 49,616 |
| Profit for the financial period after taxation | 118,407 | 118,407 |
| **At 5 April 2021** | **168,023** | **168,023** |

### 20 Retained earnings *(continued)*

| 2020 | Retained Earnings £000 | Total £000 |
|---|---|---|
| At 1 April 2019 | 32,751 | 32,751 |
| Profit for the financial year after taxation | 16,865 | 16,865 |
| **At 31 March 2020** | **49,616** | **49,616** |

No dividends were declared or paid during the period (2020: £nil).

# Notes to the financial statements *(continued)*

## 21 Called up share capital

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Balance at 1 April | 1 | 1 |
| Additions | - | - |
| *Balance at 5 April and 31 March respectively* | 1 | 1 |

Each holder of a participating share is entitled to a share of such profits of the Company as are declared to be distributed by the Directors. A shareholder's liability is limited to the amount, if any, unpaid on the shares held by them. Holders of shares shall have the right to receive notice of, attend and vote at meetings of the Company.

As at 31 March 2020, there was one ordinary share of £1 in issue held by Manchester Airport Group Investments Limited.

On 7 August 2020, Sackville Property Curtis (Jersey GP) Limited in its capacity as General Partner of Threadneedle UKPEC II Curtis Jersey LP acquired the entire share capital of the Company.

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

## 22 Notes to the statement of cash flows

| | 1 April 2020 to 5 April 2021 | 1 April 2019 to 31 March 2020 |
|---|---|---|
| | £000 | £000 |
| Total profit for the financial period | 118,407 | 16,865 |
| Lease incentives | (5,076) | - |
| Gains on investment properties | (127,059) | (9,155) |
| Realised gain on disposal | (5,271) | - |
| Gain on derivative financial instruments | (866) | - |
| Finance Expenses | 10,872 | 14,563 |
| Deferred tax | 20,731 | 1,880 |
| | **11,738** | **24,153** |
| Working capital movements: | | |
| Decrease/(increase) in trade and other receivables | 1,085 | (261) |
| Increase/(decrease) in trade and other payables | 176 | (454) |
| **Net cash flow from operating activities** | **12,999** | **23,438** |

### Non-cash transactions

As detailed in Note 12, On 30 July 2020 and 6 August 2020 the Company transferred three property assets to Stansted Airport Limited and Manchester Airport Plc for combined consideration of £78.85m. The consideration was treated as a repayment of amounts owed to group undertakings and was not received by the Company in the form of cash.

# Notes to the financial statements *(continued)*

## 22 Notes to the statement of cash flows *(continued)*

**Non-cash transactions** *(continued)*

As part of the Partnership acquisition of the Company's share capital, £156.1m of bank loan proceeds (£159.9m less associated arrangement fees) were paid to Manchester Airport Group Investments Limited. The bank loan is secured against the Company's underlying investment properties and has been recorded as a liability within these financial statements (Note 17). The proceeds of the bank loan were used to repay amounts owed to group undertakings and were not received by the Company in the form of cash.

A further £144.83m of proceeds drawn from the shareholder loan provided by the Partnership, were paid to Manchester Airport Group Investments Limited on 7 August 2020. The shareholder loan (Note 18) has been recorded as a liability within these financial statements. The proceeds of the shareholder loan were used to repay amounts owed to group undertakings and were not received by the Company in the form of cash.

## 23 Contingent liabilities

There were no contingent liabilities as at 5 April 2021.

As at 31 March 2020, under the Common Terms Agreement signed on 14 February 2014, the Company was party to a security agreement with the former group's bondholders and banks. The bonds and bank loans are secured by a fixed and floating charge over substantially all of the former group's assets. The total amount outstanding under this agreement at 31 March 2020 was £1,923.7m.

On 7 August 2020,the entire share capital of the Company was sold to the Partnership and the Company is no longer party to the security arrangement.

## 24 Commitments

Capital commitments at the end of the financial period, for which no provision has been made totalled £2.3m (2020: £8.6m).

## 25 Ultimate parent company

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 UKPECII Curtis Jersey LP. Threadneedle UKPECII Curtis Jersey LP is the immediate and ultimate parent and controlling party.

## 26 Related party transactions

During the period the Company incurred management fees of £1.56m (2020: £nil) from Threadneedle Investments (Channel Islands) Limited (the "Manager") that provides advisory and management services. The balance due to the Manager at 5 April 2021 was £1.56m (2020: £nil).

As detailed in Note 18, during the period ended 5 April 2021, the Company and Partnership signed a Shareholder Loan Agreement, providing the Company with an interest free loan facility of £161.16m. As at 5 April 2021, the Company had utilised £144.83m of the facility leaving £16.33m to be drawn by the Company.

No contract of significance existed at any time during the period 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.

# Notes to the financial statements *(continued)*

**27 Post Balance Sheet Event**

The 'material valuation uncertainty' declaration for the two hotel properties had been removed when CBRE Limited reported the 30 June 2021 valuation of the Company's property investment portfolio (the entire portfolio is free of the 'material valuation uncertainty' declaration).

On 30 December 2021, the loan facility provided by Wells Fargo was amended to adopt SONIA as a replacement for LIBOR. From January 2022, loan interest is calculated based on a margin of 2.75% + a credit adjustment spread of 0.1095% + SONIA. On 23 December 2021, to compliment the change to the loan facility, the interest rate hedging agreements were also amended to reflect the adoption of SONIA and a credit adjustment spread of 0.1095%.

On 24 February 2022, the loan facility provided by Wells Fargo was further amended to reflect a relaxation of the loan amortisation mechanic. The amendment permits the Company to use surplus rental income for agreed capital expenditure projects, rather than using the surplus income to reduce the loan. This capital expenditure projects are expected to generate returns by improving the fair valuation of the property portfolio.

On 31 December 2021, the Company received £3.5m from the Partnership as an increase to the shareholder loan.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax on profit for the period by £6.9m.

During February and March 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 Directors will continue to monitor the potential risks as the situation continues to evolve.

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