

Company Registration No: 04352394

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**FLATLAUNCH LIMITED**

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**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**



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**FLATLAUNCH LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	W K Procter C C McGill P Hallam M D Watson
<b>Company secretary</b>	D T Lau
<b>Registered number</b>	04352394
<b>Registered office</b>	Berkeley House 304 Regents Park Road London N3 2JX
<b>Independent auditor</b>	RSM UK Audit LLP Chartered Accountants 3rd Floor One London Square Cross Lanes Guildford Surrey GU1 1UN

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FLATLAUNCH LIMITED

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## FLATLAUNCH LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### Principal activity

The principal activity of the company during the year was that of property investment.

#### Results and dividends

The loss for the year, after taxation, amounted to £1,142,363 (2020 - profit £1,337,632).

The statement of comprehensive income is set out on page 8 and shows the results of the year. The directors do not recommend the payment of a dividend for the current year and no dividend was paid in the prior year.

#### Investment properties

At 31 December 2021 the investment properties have been valued by the directors at £7,224,000 (2020: £8,197,000). The resultant fair value loss in the year amounted to £973,000 (2020: Gain £1,754,000). Details of the investment properties are set out in note 8.

#### Public pledge for leaseholders

In June 2019 a number of residential real estate developers and freeholders, of which the company was a party, signed a government-backed public pledge in relation to leaseholders. This pledge is a crucial step towards positive change in the residential leasehold market and reflects our commitment to promoting good practice. The company's appointed agent, Estates & Management Limited, a company related by virtue of common control and directors, also signed this pledge.

The pledge sets out a number of principles which will assist existing and future leaseholders in ensuring the leasehold system is as fair and transparent as possible. It also includes undertakings to work with other freeholders and stakeholders to develop a comprehensive Code of Practice which establishes the responsibilities of freeholders and enshrines the highest standards for the management and maintenance of properties.

#### Business review and future developments

The directors are satisfied with the financial position of the company at the year end.

The directors do not expect there to be significant future developments which could adversely impact the business however notice should be taken of the potential legislative changes disclosed in the critical accounting estimates and assumptions section of Note 2.8.

#### Directors

The directors who served during the year were:

W K Procter  
C C McGill  
P Hallam  
M D Watson (appointed 22 February 2021)

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**FLATLAUNCH LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Statement as to disclosure of information to auditor**

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

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

**Insurance of company officers**

The company has maintained insurance throughout the year for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the company.


**Auditor**

The auditor, RSM UK Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:  
  
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**P Hallam**  
Director

Date: 08 March 2023

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**FLATLAUNCH LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors are responsible for preparing 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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**FLATLAUNCH LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLATLAUNCH LIMITED**

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**Opinion**

We have audited the financial statements of Flatlaunch Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter - Valuation of investment properties**

We draw attention to the disclosures made in the accounting policies on pages 14 and 15, and in notes 8 and 17 to the financial statements concerning the carrying values of the company's investment properties which are valued by the directors on a basis of a discounted cash flow of the projected income streams generated by those assets. The investment properties are included in the financial statements at 31 December 2021 at a value of £7.2m (2020: £8.2m). As indicated in the notes, considerable volatility exists in these valuations. This is demonstrated by the decrease in valuation of £1m in the current year when compared to the directors' valuation at 31 December 2020, which in turn has increased by £1.8m when compared to the directors' valuation at 31 December 2019, and as set out in notes 8 and 17 where the impact of changes in the underlying assumptions are detailed. Additionally, as noted in the accounting policies, the directors also recognise, given the lack of a regular market for significant portfolios of such assets, that their carrying values would not be realised should the company seek to dispose of any or all of the investment properties. Our opinion is not modified in respect of this matter.

**Emphasis of matter – Contingent liabilities**

We also draw attention to the disclosures in note 14, Contingent Liabilities, which details matters that could create additional liabilities in the future as a consequence of the Building Safety Act 2022. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

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**FLATLAUNCH LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLATLAUNCH LIMITED (CONTINUED)**

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**Conclusions relating to going concern**

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.

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.

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

**Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.



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## FLATLAUNCH LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLATLAUNCH LIMITED (CONTINUED)

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#### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

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

#### The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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**FLATLAUNCH LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLATLAUNCH LIMITED (CONTINUED)**

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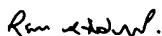
As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and property laws & regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, evaluating advice received from tax advisors, reviewing client information with respect to ongoing legal matters and reviewing and monitoring government releases regarding leasehold reforms and Building Safety Legislation. Potential changes to property laws and regulations and their impact on these financial statements are further discussed in the accounting policies on pages 14 and 15.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

**Use of our report**

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



Colin Roberts FCA (Senior Statutory Auditor)

for and on behalf of

**RSM UK Audit LLP, Statutory Auditor**

Chartered Accountants

3rd Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

Date: 09/03/23

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**FLATLAUNCH LIMITED**


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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**


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	Note	2021 £	2020 £
Turnover	3	86,736	72,742
Administrative expenses		(57,780)	(34,789)
<b>Operating profit</b>		<b>28,956</b>	<b>37,953</b>
Fair value (loss)/gain on investment property	8	(973,000)	1,754,000
Interest payable and similar expenses	4	(10,319)	(12,321)
<b>(Loss)/profit before tax</b>	5	<b>(954,363)</b>	<b>1,779,632</b>
Tax on (loss)/profit	7	(188,000)	(442,000)
<b>(Loss)/profit for the financial year</b>		<b>(1,142,363)</b>	<b>1,337,632</b>

There was no other comprehensive income for 2021 (2020: £NIL).

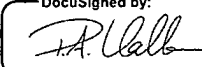
The notes on pages 11 to 21 form part of these financial statements.

**FLATLAUNCH LIMITED**  
**REGISTERED NUMBER: 04352394**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Investment property	8	7,224,000	8,197,000
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	2,417	2,082
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10	(935,928)	(954,230)
<b>Net current liabilities</b>		<b>(933,511)</b>	<b>(952,148)</b>
<b>Total assets less current liabilities</b>		<b>6,290,489</b>	<b>7,244,852</b>
<b>Provisions for liabilities</b>			
Deferred tax	11	(1,555,000)	(1,367,000)
		<b>(1,555,000)</b>	<b>(1,367,000)</b>
<b>Net assets</b>		<b>4,735,489</b>	<b>5,877,852</b>
<b>Capital and reserves</b>			
Called up share capital	12	1,519,076	1,519,076
Profit and loss account		3,216,413	4,358,776
<b>Total equity</b>		<b>4,735,489</b>	<b>5,877,852</b>

These financial statements have been prepared in accordance with the provisions applicable to the small companies regime. The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:  
  
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**P Hallam**  
 Director

Date: 08 March 2023

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

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**FLATLAUNCH LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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	Called up share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2020</b>	1,519,076	3,021,144	4,540,220
Profit and total comprehensive income for the year	-	1,337,632	1,337,632
<b>At 31 December 2020</b>	<u>1,519,076</u>	<u>4,358,776</u>	<u>5,877,852</u>
Loss and total comprehensive income for the year	-	(1,142,363)	(1,142,363)
<b>At 31 December 2021</b>	<u><u>1,519,076</u></u>	<u><u>3,216,413</u></u>	<u><u>4,735,489</u></u>

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

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**FLATLAUNCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. General information**

Flatlaunch Limited ("the company") is a private company limited by shares, domiciled and incorporated in England. The address of the company's registered office and principal place of business is Berkeley House, 304 Regents Park Road, London, N3 2JX. The principal activity of the company during the year was that of property investment.

**2. Accounting policies****2.1 Basis of accounting**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the requirements of the Companies Act 2006 as applicable to companies subject to the small companies' regime, and under the historical cost convention, modified to include the revaluation of investment properties. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

**2.2 Going concern**

In preparing the accounts on the going concern basis the directors have given consideration to the company's result for the year and the company's net current liability position.

The company has no assets pledged as security or any third-party liabilities. The company's principal creditor, Lightyear Estates Holdings Limited, has agreed not to call its receivable balance to ensure the company can meet its running costs for the foreseeable future, being at least 12 months from the date of signing these financial statements. If necessary, a related party, Euro Investments Overseas Incorporated has also agreed to provide limited financial support to enable the company to meet day to day running costs incurred in the ordinary course of business for a period of up to 12 months from the date of signing these financial statements.

The directors have assessed the operation of the company and, have determined that the company has, or can expect to have, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

In addition to the matters described above, in arriving at their conclusion the Directors have also considered Leasehold reform.

*Leasehold reform*

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act came into force on 30 June 2022 for leases on non-retirement properties and will come into effect on 1 April 2023 for leases on retirement properties. The legislation does not apply retrospectively although it does create restrictions on the ability of the company to generate rental income beyond the existing term of current leases.

As such, the impact of preventing the creation of future ground rents under the Act is not expected to have a material effect on the ability of the company to meet its liabilities as they fall due for a reasonably foreseeable period.

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**FLATLAUNCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.3 Functional and presentational currencies**

The financial statements are presented in sterling which is also the functional currency of the company.

**2.4 Turnover**

Turnover comprises rent receivable and other income arising from investment properties.

Rental income is recognised in accordance with the terms of the lease. Inflationary uplifts to rental income are recognised when received. Non-inflationary uplifts are also recognised when received as the directors are of the opinion that to recognise the impact of those uplifts on a straight line basis over such long term leases (up to 999 years) would not give a true and fair view as the period between recognition and actual collection would be of sufficient length to cause uncertainty over the value to be collected.

Turnover is recognised at the fair value of the consideration received or receivable for rental income charged to external customers in the ordinary nature of the business. Turnover is shown net of value added tax.

**2.5 Investment properties**

The company's holding of investment properties is comprised of freehold reversionary interests and these are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available. Changes in fair value are recognised in the statement of comprehensive income.

These assets represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets generate income in the form of annual ground rents along with other ancillary income streams.

Recognising the nature of these investment properties and the lack of a regular market for significant portfolios of such assets, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cashflow valuation of the income streams generated by these assets. The valuation of the entire freehold reversionary interest portfolio is undertaken by the directors.

The directors also recognise, given the lack of a regular market for significant portfolios of such assets, that these values would not be realised should the company seek to dispose of any or all of the investment properties in a short period of time.

Further details are given in note 8.

**2.6 Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from profit before taxation because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

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**FLATLAUNCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and profit before taxation that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

**2.7 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, to its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

*Financial assets***Debtors**

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

*Financial liabilities***Creditors**

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.



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FLATLAUNCH LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**2. Accounting policies (continued)**

**2.7 Financial instruments (continued)**

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

*Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

*Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**2.8 Critical accounting estimates and areas of judgement**

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

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

*Critical accounting estimates and assumptions*

In preparing these financial statements, the directors have made estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Valuation of investment properties*

A key accounting estimate in preparing these financial statements relates to the carrying value of the investment properties which are stated at fair value, as valued by directors. However, the valuation of the company's investment properties is inherently subjective, as it is made on the basis of valuation assumptions which may in future prove not to be accurate. The risk of which is heightened due to the enacted and further potential legislative changes noted below.

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**FLATLAUNCH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act received Royal Assent after the Balance Sheet date on 8 February 2022. The Act came into force on 30 June 2022 for leases on non-retirement properties and it will come into effect on 1 April 2023 for leases on retirement properties. The legislation does not apply retrospectively although it does create restrictions on the ability of the company to generate rental income beyond the existing term of current leases as it impairs the ability of the freeholder and leaseholder to agree for the continuation of ground rent in the extension period when extending the lease beyond the current lease term.

In addition to the enacted legislation the Government, through the Department for Levelling Up, Housing and Communities (DLHC), made an announcement in January 2021 on a number of proposed changes to the law governing leasehold enfranchisement. These proposals, which have largely not yet been enacted but some of which are included in the Leasehold Reform (Ground Rent) Act 2022, include changes to the rights of leaseholders in relation to leasehold extensions and freehold purchases. These changes could reduce the level of premium received at the point of lease extension or enfranchisement and increase such incidence rates. It is unclear at this time to what extent this change will reduce the future cash flows of the company. The implementation of the legislative changes arising from these reforms could materially reduce the level of income generated by the portfolio of investment properties, and therefore reduce valuations in the future.

The directors are of the view that the proposed changes, if introduced in total, would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors have engaged, and continue to engage, actively in consultations with Government, other stakeholders and interested parties in order to convey the company's opposition to the current proposals. Public announcements by government and in the Law Commission's report have recognised that any proposals to make wholesale reforms retrospectively pose real problems with respect to the contravention of human rights legislation.

The directors are of the opinion that the impact of the reforms are likely to be greatest for future leases and not those already in existence.

An intrinsic element of the long-term forecasts is the continuing rental income and lease extension premiums generated by the property assets held by the company. The potential legislative changes raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

However, the financial consequences of some of these changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on their forecasts. It is assumed that the current methodology continues to represent a fair value of these assets and that the group's ability to meet its long-term obligations is not compromised.

Further details of the valuation of the investment property are set out in note 8.

*Deferred taxation*

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**3. Turnover**

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Rent receivable	22,521	23,905
Other income	64,215	48,837
	<u>86,736</u>	<u>72,742</u>

All turnover arose within the United Kingdom.

**4. Interest payable and similar expenses**

	2021 £	2020 £
Interest on parent company loan	<u>10,319</u>	<u>12,321</u>

**5. (Loss)/Profit before taxation**

The (loss)/profit before taxation is stated after charging:

	2021 £	2020 £
Auditors' remuneration	<u>6,056</u>	<u>6,436</u>

**6. Employees**

There were no employees during the year other than the directors. The directors are remunerated by the related party Fairhold Services Limited and this is recharged to the company as part of the management charge from Estates & Management Limited. This management charge, which in 2021 amounted to £25,055 (2020: £18,625) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the company and it is not possible to identify separately the amount relating to the directors' remuneration.

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**7. Taxation**

	2021 £	2020 £
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Movements in deferred tax on investment properties	(243,250)	333,260
Effect of change in corporation tax rate	431,250	108,740
<b>Total deferred tax</b>	188,000	442,000
<b>Taxation on (loss)/profit</b>	188,000	442,000

**Factors affecting tax charge for the year**

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

	2021 £	2020 £
(Loss)/Profit before tax	(954,363)	1,779,632
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(181,329)	338,130
<b>Effects of:</b>		
Other timing differences, incl. capital allowances	(1,256)	-
Group relief received without charge	(2,285)	(4,870)
Movement in fair value on investment properties	184,870	(333,260)
Movements in deferred tax on investment properties	(243,250)	333,260
Effect of change in tax rate	431,250	108,740
<b>Total tax charge for the year</b>	188,000	442,000

**Factors that may affect future tax charges**

In the current period, the Finance Act 2021 was enacted and included legislation to increase the main rate of tax to 25%. As this change was substantively enacted at the balance sheet date deferred tax is recognised at 25% in the current period (2020: 19%).

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**FLATLAUNCH LIMITED**


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**8. Investment property**

	<b>Freehold reversionary interests £</b>
<b>Valuation</b>	
At 1 January 2021	8,197,000
Loss on revaluation	(973,000)
<b>At 31 December 2021</b>	<b>7,224,000</b>

The investment properties represent a portfolio of freehold reversionary interests that generate ground rents as the principal income stream. The fair value of these properties is calculated based on a discounted cash flow methodology which is reliant on the assumptions used to estimate the future cash flows (see note 2.8).

At 31 December 2021, the directors have valued the investment properties at £7,224,000 (2020: £8,197,000).

The basis of the valuation of the investment properties is to project and discount the income streams generated by the portfolio over 50 years. The principal assumptions used in these valuations were:

- RPI basis for inflation assumptions - implied inflation vector taken from the Bank of England website;
- Discount rate - the discount rate applied is obtained from the Bank of England swap curve with a premium of 140 or 200 basis points added;
- Incidence rates for lease extensions and price charged - Projected according to historical incidence rates depending on the length of ownership and lease term remaining;
- Freehold reversionary interests - projection of discounted income generated by the portfolio over 50 years, together with an assessment of the residual value of the assets at the end of that 50-year term.
- Taxation - no allowance has been made for taxation in projecting the future revenue flow.

The input to the model with the most significant impact on the valuation is the discount rate used. Per the 31 December 2021 review undertaken, on a group basis, a 100-basis point increase or decrease in this rate reduces or increases the valuation by 20% and 28% respectively.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	<b>2021 £</b>	<b>2020 £</b>
Historic cost	<b>977,548</b>	<b>977,548</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**


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**9. Debtors**

	2021 £	2020 £
Trade receivables	936	797
Prepayments	1,481	1,285
	<u>2,417</u>	<u>2,082</u>

**10. Creditors: Amounts falling due within one year**

	2021 £	2020 £
Amounts owed to parent undertakings	929,625	947,181
Deferred income	6,303	7,049
	<u>935,928</u>	<u>954,230</u>

There are no fixed terms of repayment of the parent company loan. Interest is charged at 3 month Libor +1%. Despite the loan being repayable on demand it is not the intention for the loans to be repaid within one year.

**11. Provisions for liabilities**

	2021 £
At beginning of year	1,367,000
Increase in provision in the year	188,000
<b>At end of year</b>	<u><b>1,555,000</b></u>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Deferred tax on assets measured at fair value	<u>1,555,000</u>	<u>1,367,000</u>

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**12. Share capital and reserves**

Share capital

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
1,519,076 (2020 - 1,519,076) Ordinary shares of £1.00 each	<u>1,519,076</u>	<u>1,519,076</u>

*Ordinary share rights*

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

**Reserves**

Reserves of the company represent the following:

*Profit and loss account*

Cumulative profit and loss net of distributions to owners

**13. Guarantees**

The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other participating group undertakings' unpaid debts in this connection.

**14. Contingent liabilities**

The directors are currently assessing the potential impact of the Building Safety Act 2022, which received Royal Assent on 28 April 2022. The Company does not consider it has any direct risk or liability from the provisions of the Building Safety Act 2022 as the company itself does not own any relevant properties. However, it is part of a wider group of companies in which such risks and liabilities may arise separately which could, potentially give rise to liabilities for this company under that act in certain circumstances. These are detailed in disclosures made in the financial statements of those separate wider group companies as filed with Companies House. The Directors, having considered the provisions of the Act, the uncertainty over how and when these provisions will be implemented and their impact on the Company conclude that it is not appropriate for a provision to be included in these Financial Statements.

**15. Immediate parent company, ultimate parent company and ultimate controlling party**

The company's parent company is Lightyear Estates Holdings Limited, which is registered in England and Wales. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

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**16. Related party transactions**

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

Management fees of £25,055 (2020: £18,625) were charged to the Company in the year by Estates & Management Limited, a company related by virtue of common control and common directors.

**17. Post balance sheet events**

The following events have occurred after the end of the reporting period:

*Leasehold Reform (Ground Rents) Act 2022*

The Leasehold Reform (Ground Rents) Act 2022 received Royal Assent on 8 February 2022. See note 2.2 for further information on the potential implications of this Act.

*Building Safety Act 2022*

The Building Safety Act 2022 received Royal Assent on 28 April 2022. See Note 14 for further information on the potential implications of this Act.

*Movements in discount rate*

As described in note 8, the risk free discount rate has a significant impact on the calculation of the value of investment properties. Subsequent to the year end, risk free discount rates have increased and this has led to a significant fall in the value of investment properties. As at 31 August 2022, the directors have estimated the value of investment properties held at 31 December 2021 at £4.7m, representing a 35% reduction in value from 31 December 2021.