Company Number: 04770309

HOLDING & MANAGEMENT (SOLITAIRE) NO.2 LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2017.

INCORPORATION

Holding & Management (Solitaire) No.2 Limited (the "Company") was incorporated in the United Kingdom under the laws of England and Wales on 19 May 2003.

ACTIVITIES

The principal activity of the Company is property investment.

RESULTS AND DIVIDENDS

The results for the year are shown on page 6. The Directors do not recommend the payment of a dividend for the year (period ended 31 March 2016: £nil).

DIRECTORS

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

R.L Hood	
J.R Saout	(Resigned 14 April 2016)
C.S Bidel	(Appointed 14 April 2016)
C.M Warnes	(Appointed 27 January 2017)

REGISTERED OFFICE

Asticus Building, 2nd Floor
21 Palmer Street
London SW1H 0AD

COMPANY SECRETARY

The secretary of the Company during the year and subsequently was Sanne Group Secretaries (UK) Limited.

INDEPENDENT AUDITORS

Deloitte have expressed their willingness to continue in office.

DIRECTORS' CONFIRMATION

Each of the Directors who was a Director at the time when this report is approved confirms that:

• So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

• Each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and the Company's auditors for that purpose, in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

REPORT OF THE DIRECTORS - (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors are required to prepare financial statements for each financial period under the Companies Act 2006. As permitted by that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as endorsed for use in the European Union ("IFRSs"). The financial statements are required to give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

However, Directors are also required to:

* properly select and apply accounting policies;
* present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
* provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
* make an assessment of the Company's ability to continue as a going concern.

The Directors are also responsible for keeping proper accounting records that are sufficient to show and explain its 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. 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.

The Directors confirm they have complied with the above requirements throughout the year and subsequently.

Financial risk management

The Directors have considered the financial risk factors and mitigations identified and disclosed in note 3 of the financial statements.

BY ORDER OF THE BOARD

Authorised Signatory
Director
Date: 14th NOVEMBER 2017

Coral Bidel
Director

Deloitte.

Deloitte
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOLDING & MANAGEMENT (SOLITAIRE) NO. 2 LIMITED

We have audited the financial statements of Holding & Management (Solitaire) No. 2 Limited for the period ended 31 March 2017 which comprises of the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOLDING & MANAGEMENT (SOLITAIRE) NO. 2 LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Michael Hartwell
For and on behalf of Deloitte
Chartered Accountants and Statutory Auditor
Dublin, Ireland

Date: 14/11/2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

(EXPRESSED IN BRITISH POUNDS)

	Notes	1 Apr 2016 to 31 Mar 2017 £'000	1 Nov 2014 to 31 Mar 2016 £'000
INCOME			
Turnover	2	140	215
Gain on revaluation of investment property	4	327	722
NET INCOME		467	937
EXPENSES			
Administrative expenses		(69)	(104)
Audit fees		(8)	(21)
Write off of amounts owed by related party	5	-	(3)
TOTAL EXPENSES		(77)	(128)
OPERATING PROFIT		390	809
FINANCE (COSTS) / INCOME			
Interest income		-	1
Interest expense		(142)	(154)
TOTAL FINANCE COSTS		(142)	(153)
PROFIT BEFORE TAX		248	656
Corporation tax expense	8	-	-
TOTAL PROFIT FOR THE YEAR / PERIOD		248	656

(The notes on pages 10 to 21 form part of these audited financial statements)

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

(EXPRESSED IN BRITISH POUNDS)

	Notes	31 Mar 2017 £'000	31 Mar 2016 £'000
ASSETS			
Non-current assets			
Investment properties	4	3,521	3,194
Current assets			
Receivables	5	8	11
Cash and cash equivalents		42	37
		50	48
TOTAL ASSETS		3,571	3,242
LIABILITIES AND EQUITY			
Current liabilities			
Payables	6	1,676	1,595
Non-current liabilities			
Loans payable	7	855	855
TOTAL LIABILITIES		2,531	2,450
Equity			
Share capital	9	63	63
Share premium	9	1,412	1,412
Retained loss		(435)	(683)
TOTAL EQUITY		1,040	792
TOTAL LIABILITIES AND EQUITY		3,571	3,242

The financial statements were approved and authorised for issue by the Board of Directors on the 14th day of November 2017 and were signed on its behalf by:

Director: ______________________

Coral Bidel
Director

(The notes on pages 10 to 21 form part of these audited financial statements)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

(EXPRESSED IN BRITISH POUNDS)

	Share capital £'000	Share premium £'000	Retained loss £'000	Total £'000
Balance at 1 November 2014	63	1,412	(1,339)	136
Total profit for the period	-	-	656	656
Balance at 31 March 2016	63	1,412	(683)	792
Total profit for the year	-	-	248	248
Balance at 31 March 2017	63	1,412	(435)	1,040

(The notes on pages 10 to 21 form part of these audited financial statements)

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2017

(EXPRESSED IN BRITISH POUNDS)

	1 Apr 2016 to 31 Mar 2017 £'000	1 Nov 2014 to 31 Mar 2016 £'000
Cash flows from operating activities		
Total profit for the year / period	248	656
Adjustments for:		
Capitalised interest on shareholder loan	76	107
Unrealised gain on revaluation of investment property	(327)	(722)
Changes in working capital:		
Decrease in receivables	3	6
Increase / (decrease) in payables	5	(15)
Net cash generated from operating activities	5	32
Net increase in cash and cash equivalents	5	32
Cash and cash equivalents at the beginning of the year / period	37	5
Cash and cash equivalents at the end of the year / period	42	37

(The notes on pages 10 to 21 form part of these audited financial statements)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1. GENERAL INFORMATION

Holding & Management (Solitaire) No.2 Limited (the "Company") was incorporated in the United Kingdom under the laws of England and Wales on 19 May 2003.

The principal activity of the Company is property investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The Company has prepared these financial statements which comply with International Financial Reporting Standards as endorsed for use in the European Union ("IFRSs") together with the comparative period data as at and for the period ended 31 March 2016, as described in the summary of significant accounting policies.

The more significant policies are set out below:

New Accounting Standards, amendments to existing Accounting Standards and / or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current year

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, there are no mandatory New Accounting Requirements applicable in the current year that had any material effect on the reported performance, financial position, or disclosures of the Company. Consequently, no mandatory New Accounting Requirements are listed.

Non-mandatory New Accounting Requirements not yet adopted

The following applicable New Accounting Requirements have been issued. However, these New Accounting Requirements are not yet mandatory and have not yet been adopted by the Group. All other non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position, or disclosures of the Group and consequently have neither been adopted, nor listed.

IFRS 9, "Financial Instruments" (Replacement of IAS 39 — "Financial Instruments: Recognition and Measurement") – effective date 1 January 2018

IFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities and replaces most of the guidance in IAS 39.

IFRS 9 requires financial assets to be classified into the following measurement categories: (i) those measured at fair value through profit or loss; (ii) those measured at fair value through other comprehensive income; and, (iii) those measured at amortised cost. The determination is made at initial recognition. Unless the option to designate a financial asset as measured at fair value through profit or loss is applicable, the classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Non-mandatory New Accounting Requirements not yet adopted - (continued)

IFRS 9, "Financial Instruments" - (continued)

IFRS 9 also replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model for the measurement of impairment loss. The new model applies to financial assets that are not measured at fair value through profit or loss.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The mandatory effective date for application of IFRS 9 is for accounting periods beginning on or after 1 January 2018, but early adoption is permitted at any time. The Company intends to adopt IFRS 9 no later than the mandatory effective date. In the Directors' opinion, early adoption of IFRS 9 would have no material impact on the recognition, measurement or disclosures relating to its financial instruments.

IAS 7, "Statement of Cash Flows" (amendments) – effective retrospectively for accounting periods commencing on or after 1 January 2017

IAS 7 has been amended to improve disclosure on an entity's liabilities. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The Directors do not anticipate that the application of these amendments to IAS 7 will have a material impact on the Company's financial statements.

IAS 12, "Income Taxes" (amendments) – effective for accounting periods commencing on or after 1 January 2017

IAS 12 has been amended to clarify how to account for deferred tax assets related to unrealised losses (e.g. deferred tax assets related to unrealised losses on debt instruments measured at fair value).

The Directors do not anticipate that the application of these amendments to IAS 12 will have a material impact on the Company's financial statements.

IFRS 15, "Revenue from Contracts with Customers" – effective for accounting periods commencing on or after 1 January 2018

IFRS 15 is a new standard that introduces the following requirements:

- A five-step model is applied to determine when to recognise revenue, and at what amount.
- Revenue is recognised when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.
- Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Non-mandatory New Accounting Requirements not yet adopted - (continued)

IFRS 15, "Revenue from Contracts with Customers" – (continued)

The mandatory effective date for application of IFRS 15 is for accounting periods beginning on or after 1 January 2018. The Directors are assessing the impact of IFRS 15.

IFRS 16, "Leases" – effective for accounting periods commencing on or after 1 January 2019

IFRS 16 is a new standard that will require companies to bring most leases on-balance sheet from 2019. The accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice (i.e. lessors continue to classify leases as finance and operating leases). For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet. In other words, lessees will appear to become more asset-rich but also more heavily indebted. The impacts are not limited to the balance sheet. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

The Directors are assessing the impact of IFRS 16.

Going concern

As at 31 March 2017 the Directors believe that the Company has adequate resources to continue in operational existence. This conclusion has been reached based on reviews conducted in relation to the future performance and cash flow forecasts for the foreseeable future. Accordingly, the Directors deem the going concern basis to be appropriate in preparing these financial statements.

The Company has received letters of support from its parent company confirming that the intercompany loan as disclosed in note 6 will not be recalled for a period of at least 12 months from the date of signing these financial statements.

Income and Cash flow statements

The Company presents its Statement of Profit or Loss and Other Comprehensive Income by nature of expense.

The Company reports Cash Flows using the indirect method.

The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Company's business activities.

Investment property

Investment property comprises of property that is not occupied by the Company and is held to earn rental income, or for capital appreciation, or both. The Directors have elected to adopt the "fair value model" as defined under IAS 40 (Investment Property). Property held under a lease is classified as investment property when the definition of an investment property is met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Investment property - (continued)

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the expenditure can be reliably measured. All other repairs and maintenance costs are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

Subsequent to initial recognition, investment property is stated at fair value. The investment property held relates to reversionary interests in freehold land and have been valued based upon a discounted cash flow model. The Directors have determined that a discounted cash flow model is the most appropriate method to estimate the fair value of the investment property. The fair values are provided by Long Harbour.

Gains or losses arising from changes in the fair values are included in the Statement of Profit or Loss and Other Comprehensive Income in the year / period in which they arise.

Cash and cash equivalents

For the purposes of these financial statements, cash comprises of cash on hand and demand deposits while cash equivalents are short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Receivables

Receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Given the nature of the receivables, however, and the short time involved between their origination and settlement, their amortised cost is the same as their fair value at the date of origination.

Payables

Payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. Given the nature of the payables, however, and the short time involved between their origination and settlement, their amortised cost is the same as their fair value at the date of origination.

Loans receivable and payable

Loans receivable and payable are recognised initially at fair value net of attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost using the effective interest rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates; its functional currency. As all investments held by the Company and financing received by the Company are in British Pounds (GBP), this is considered to be the functional currency of the Company.

Monetary assets and liabilities are translated into GBP at the rate of exchange ruling at the Statement of Financial Position date. Foreign exchange gains or losses resulting from settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised by the Company in the Statement of Profit or Loss and Other Comprehensive Income.

The financial statements of the Company are presented in GBP.

Critical accounting estimates and judgements in applying accounting policies

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. No critical accounting judgements have been made in the preparation of these financial statements.

The investment property is valued using a discounted cash flow model. Periodic valuations are undertaken by the Directors, and in assessing the periodic valuation, the methodology is to estimate future cash flows discounted to their present value over an estimated useful economic life, using pre-tax discount rates that reflect the current market assessment of the time value of money and the risks specific to the asset. By necessity a valuation requires subjective judgements that, even if logical and appropriate may differ from those made by a purchaser, or another party undertaking a valuation. With respect to the methodology adopted judgements and estimates were used primarily in estimating an appropriate discount rate.

The investment property assets held relate to reversionary interests in freehold land. As such, these assets are in substance like financial investments as they generate income in the form of annual ground rents and other ancillary income streams.

The Company's investment properties were stated without adjustment at the value calculated by the discounted cash flow methodology. The Directors are satisfied that this is the best available estimate of the fair value of the Company's investment property as at 31 March 2017 and 2016.

Turnover

Turnover represents the value of ground rental income receivable for the year / period on an accruals basis. Turnover arises solely within the United Kingdom.

3. FINANCIAL RISK FACTORS

The Directors carry out the risk management function in respect of financial risks within the Company. Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting year. Financial risk comprises of market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The Company's financial assets and financial liabilities comprise cash and cash equivalents, trade and other receivables, trade payables and borrowings that arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The Directors review and agree policies for managing its risk exposure. These policies are described below and have remained unchanged for the year under review.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk through its investment properties, as in the event of default by an occupational tenant in the property, the Company would suffer a rental income shortfall. The Directors believe that the Company does not have a concentration of credit risk as the Investment Property portfolio comprises of 727 units (2016: 727 units) let to different tenants.

Cash and cash equivalents of the Company are held with RBS and Coutts. The Company is not exposed to any significant credit risk arising from cash held with the counterparties. As at the year / period end, the Fitch's credit ratings for the banks were as follows:

	31 Mar 2017	31 Mar 2016
Bank	**Rating**	**Rating**
Coutts	Not rated	Not rated
RBS	BBB+	BBB+

The Company's maximum exposure to credit risk by class of financial asset is as follows:

	31 Mar 2017	31 Mar 2016
	£'000	£'000
Trade and other receivables	8	11
Cash and cash equivalents	42	37
	50	48

The fair value of cash and cash equivalents and trade and other receivables at 31 March 2017 and 2016 approximates the carrying value. Further details regarding trade and other receivables can be found in note 5. Cash risk is mitigated as cash and cash equivalents are held with reputable institutions. Trade and other receivables are fully recoverable.

Ground rents provide long term, stable rated income and failure to pay can lead to forfeiture of the tenants' long lease and a windfall gain to the freeholder. The Company has policies in place to monitor the credit quality of receivables on an ongoing basis.

There is no credit risk associated with the Company's financial liabilities.

3. FINANCIAL RISK FACTORS - (CONTINUED)

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Company's liquidity position is reviewed on a quarterly basis by the Directors.

The Company's investments comprise only of investment property assets that relate to reversionary interests in freehold land. Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process would reflect the actual sales price even where such sales occur shortly after the valuation date.

The table below summarises the Company's exposure to liquidity risk:

	31 Mar 2017	31 Mar 2016
	£'000	£'000
Financial assets - due within one year		
Trade and other receivables	8	11
Cash and cash equivalents	42	37
	50	48
Financial liabilities - due within one year		
Trade and other payables and loans due on demand	1,648	1,595

As described below the Company has the benefit of a confirmation from its parent company that the loan payable will not be demanded for repayment within 12 months from the date of approval of these financial statements.

	31 Mar 2017	31 Mar 2016
Financial liabilities - due after more than one year		
Loans payable	855	855

c) Foreign exchange risk

The Company has no significant exposure to foreign currency risk as at 31 March 2017 and 2016.

d) Price risk

The Company is indirectly exposed to property rental risk. Further details regarding the valuation of Investment Property are provided in note 2 accounting policies under the heading "Investment property" and note 4.

The Company is not exposed to market risk with respect to financial instruments as it does not hold any marketable financial instruments.

3. FINANCIAL RISK FACTORS - (CONTINUED)

e) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets.

The Company has entered into a fixed rate loan payable to its parent company, with interest payable at a rate of 4.7% per annum (as detailed in note 7). The Company is exposed to cash flow risk to the extent that the rental income received from tenants is not sufficient to meet the loan interest obligations. The shareholder loan payable to the parent company is repayable on demand (as detailed in note 6), however the Company has received confirmation that repayment will not be demanded for a period of at least 12 months from the date of approval of these financial statements. Accordingly the Directors believe that the cash flow risk is being managed.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

f) Sensitivity analysis

IFRS 7 requires disclosure of 'sensitivity analysis' for each type of market risk to which the entity is exposed to at the reporting date, showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date. See note 4 for sensitivity analysis on investment properties.

The Company does not have significant variable exposure to interest rate, price or foreign exchange risk and therefore no sensitivity analysis for these risks has been disclosed.

4. INVESTMENT PROPERTY

Freehold land	31 Mar 2017 £'000	31 Mar 2016 £'000
Cost	1,686	1,686
Unrealised gain on the revaluation of investments at the start of the year / period	1,508	786
Unrealised revaluation gain during the year / period	327	722
Unrealised gain on the revaluation of investments at the end of the year / period	1,835	1,508
Fair value	3,521	3,194

The Company's investment property comprises of 727 units (2016: 727 units) and was revalued on 31 March 2017 to £3,521,366 (2016: £3,193,436). The investment property held comprises of a portfolio of reversionary interests in freehold land. At 31 March 2017 and 2016 the fair value has been estimated with reference to a valuation based upon a discounted cash flow model.

4. INVESTMENT PROPERTY - (CONTINUED)

Fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Details of the Company's investment properties and information about the fair value hierarchy as at 31 March 2017 and 2016 are as follows:

31 March 2017 **Assets**	**Level 1** **£'000**	**Level 2** **£'000**	**Level 3** **£'000**
Residential units located in the UK	-	-	3,521

31 March 2016 **Assets**	**Level 1** **£'000**	**Level 2** **£'000**	**Level 3** **£'000**
Residential units located in the UK	-	-	3,194

There were no transfers between the hierarchy levels during the year / period. A reconciliation of the level 3 positions is provided in the Freehold land table above.

The following sensitivity analysis has been performed by management, with all other things being equal:

An increase in the discount rate of 0.05% would result in a reduction in the portfolio valuation by £53,369 (2016: £49,251).

A decrease in the discount rate of 0.05% would result in an increase in the portfolio valuation by £54,780 (2016: £50,608).

The investment property and all other assets of the Company are pledged as collateral under a first floating charge in favour of Jetty Finance DAC, the immediate parent of the Company, with respect to the Senior Loan finance received from Jetty Finance DAC.

5. RECEIVABLES

Due within one year	**31 Mar 2017** **£'000**	**31 Mar 2016** **£'000**
Trade receivables	7	11
Prepayments and accrued income	1	-
	8	11

6. PAYABLES

Due within one year	**31 Mar 2017** £'000	**31 Mar 2016** £'000
Amounts due to parent - shareholder loan	1,625	1,549
Accruals and deferred income	51	46
	1,676	1,595

On 10 October 2014 the Company entered into a Junior Loan Agreement with Jetty Finance DAC. The Company drew down the amount of £1,442,301, being the maximum facility amount. Interest was payable at a rate of 5% per annum. This loan was refinanced in full on 14 October 2014 (see below for information on the Shareholder Loan). The proceeds of this loan, together with the Senior Loan as detailed in note 7, were used to refinance the acquisition of the Company and the refinancing or repayment of existing debt between the Company and other members of its group.

On 14 October 2014 the issued share capital of the Company was purchased by Jetty Finance DAC.

On 14 October 2014 the Company entered into a Shareholder Loan Agreement with Jetty Finance DAC, its immediate parent company, for an amount up to £1,442,301 in order to refinance the Junior Loan provided (as detailed above). The loan bore interest at a rate of 0% and was repayable on demand. The terms of the Shareholder Loan were amended by an Amended and Restated Shareholder Loan Agreement on 30 March 2015. Interest is payable semi-annually on 25 March and 25 September at a rate of 6.5% per annum. The loan is repayable on such dates as agreed between Jetty Finance DAC and the Company. The balance of this loan payable after 12 months and the outstanding balance at year end amounted to £1,624,991 (2016: £1,548,983).

7. LOANS PAYABLE

	31 Mar 2017 £'000	**31 Mar 2016** £'000
Amounts due to parent - senior loan	855	855

On 10 October 2014 the Company entered into a Senior Loan Agreement with Jetty Finance DAC. The Company drew down the amount of £854,756, being the maximum facility amount. Interest is payable semi-annually on 25 March and 25 September at a rate of 4.7% per annum until 25 March 2020, with stepped increases every five years thereafter until 2030. The Company will in the future make amortisation repayments semi-annually on the Interest Payment Dates in accordance with an Amortisation Schedule. The proceeds of this loan, together with the Junior Loan as detailed in note 6, were used to refinance the acquisition of the Company and the refinancing or repayment of existing debt between the Company and other members of its group. The balance of this loan payable after 12 months and the outstanding balance at the year end amounted to £854,756 (2016: £854,756).

8. TAXATION

The Company is a resident company assessed to income tax in the UK on UK rental income. The charge to UK corporation tax on ordinary activities for the year was £nil (period ended 31 March 2016: £nil).

Factors affecting the tax charge	31 Mar 2017 £'000	31 Mar 2016 £'000
Profit on ordinary activities before tax	248	656
Expected tax charge of 20% (2016: 20%)	50	131
Effect of:		
Gains, losses, allowances and net income adjustments for tax purposes	(32)	(92)
Tax relief brought forward	(18)	(39)
Current tax charge	-	-

9. SHARE CAPITAL

	31 Mar 2017 £	31 Mar 2016 £
AUTHORISED, ISSUED AND PAID:		
63,100 (2016: 63,100) ordinary shares of £1 each	63,100	63,100
2 class A debt release shares of £1 each	2	2
2 class B debt release shares of £1 each	2	2
	63,104	63,104

On 24 September 2014, the Company issued 100 ordinary shares of £1 each pursuant to a Loan Capitalisation Agreement entered into with the former parent company during the prior period, whereby the debt was extinguished in exchange for the issue of ordinary shares at a total premium of £192,368.

During the prior period the Company also authorised the allotment of class A and class B debt release shares of £1 each, up to an aggregate nominal amount of £2 for each class which were issued and paid at a total premium of £1,219,784.

10. RELATED PARTY DISCLOSURES

R.L Hood, C.M Warnes and J.R Saout (resigned 14 April 2016) are / were directors of the Company as well as directors of wholly owned subsidiaries of Sanne Fiduciary Services Limited ("SFSL") and hold a financial interest in Sanne Group PLC, an entity listed on the London Stock Exchange which is the beneficial owner of SFSL. C.S Bidel is also a director of the Company and holds a financial interest in Sanne Group PLC. SFSL provides administrative services to the Company at commercial rates. Administration fees of £19,141 (2016: £21,600) were paid to SFSL in respect of the year ended 31 March 2017, of which £nil (2016: £nil) was outstanding at year end. Other inter-group transactions are detailed in notes 6 and 7.

There were no fees due to the Directors during the prior period or current year.

11. DEFERRED TAXATION

Management has determined in accordance with IFRSs that there were no deferred tax assets or liabilities as at 31 March 2017 (2016: £nil).

12. CONTROLLING PARTY

The Company's immediate parent company and ultimate controlling party is Jetty Finance DAC. The Company's results have been consolidated into the consolidated financial statements of Jetty Finance DAC.

13. SUBSEQUENT EVENTS

Government Consultation Paper

In July 2017 the Government issued a consultation paper entitled "Tackling unfair practices in the leasehold market". The Government is seeking views on a number of proposals which include prohibiting the sale of new build leasehold houses and restricting ground rents on new leases to a 'peppercorn' rate. The Government noted in its paper that it welcomed the action being taken by Taylor Wimpey and encouraged other house builders to follow suit. The consultation period ran to 19 September 2017. Whilst it is not possible to forecast potential changes which might arise, or the timings of any changes, it seems prudent to expect that there will be requirements and/or parameters in relation to new ground rent leases at some point in the future. The consultation paper did not propose changes to existing leases, other than posing questions with regard to onerous leases and how best to support tenants currently contracted to onerous terms. The Company's Property Manager responded to the Governments consultation and will keep the Company informed throughout the process. The Directors will continue to monitor the outcome of the consultation.

14. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 14th November 2017.