Company Number: 05746957

CHIME PROPERTIES LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

TABLE OF CONTENTS

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2018.

INCORPORATION

Chime Properties Limited (the "Company") was incorporated in the United Kingdom under the laws of England and Wales on 17 March 2006.

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 (2017: £nil).

DIRECTORS

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

J.C Bingham
C.S Bidel
C.M Warnes

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 Ireland LLP, Chartered Accountants and Statutory Audit Firm, have expressed their willingness to continue in office.

DIRECTORS' CONFIRMATION

Each of the Directors who was a Director at the time when this report was 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 year 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 year.

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.

This report has been prepared in accordance with the small companies regime of the Companies Act 2006.

BY ORDER OF THE BOARD

Christopher Michael Warnes
Director
Date: 20/11/2018

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHIME PROPERTIES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Chime Properties Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Profit or Loss and Other Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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 UK, including the Financial Reporting Council's (the 'FRC'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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and audited financial statements, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHIME PROPERTIES LIMITED

Responsibilities of directors
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, 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.

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

Report on other legal and regulatory requirements

Opinions 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.

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 any material misstatements in the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

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

Date: 12/12/2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

(EXPRESSED IN BRITISH POUNDS)

	Notes	1 Apr 2017 to 31 Mar 2018 £'000	1 Apr 2016 to 31 Mar 2017 £'000
INCOME			
Turnover	2	4,769	6,408
Realised gain on disposal of investment properties		782	679
NET INCOME		5,551	7,087
EXPENSES			
Administrative expenses		(1,957)	(2,040)
Loss on revaluation of investment properties	4	(3,256)	(6,205)
Audit fees		(14)	(6)
TOTAL EXPENSES		(5,227)	(8,251)
OPERATING PROFIT / (LOSS)		324	(1,164)
FINANCE (COSTS) / INCOME			
Interest income		1	2
Interest expense	6	(2,734)	(2,650)
TOTAL FINANCE COSTS		(2,733)	(2,648)
LOSS BEFORE TAX		(2,409)	(3,812)
Corporation tax expense	8	-	-
TOTAL LOSS FOR THE YEAR		(2,409)	(3,812)

(The notes on pages 10 to 22 form part of these audited financial statements)

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

(EXPRESSED IN BRITISH POUNDS)

	Notes	31 Mar 2018 £'000	31 Mar 2017 £'000
ASSETS			
Non-current assets			
Investment properties	4	95,255	99,061
Current assets			
Receivables	5	277	412
Cash and cash equivalents		3,552	3,474
		3,829	3,886
TOTAL ASSETS		99,084	102,947
LIABILITIES AND EQUITY			
Current liabilities			
Payables	6	25,960	27,414
Non-current liabilities			
Loans payable	7	53,000	53,000
TOTAL LIABILITIES		78,960	80,414
Equity			
Share capital	9	422	422
Retained earnings		19,702	22,111
TOTAL EQUITY		20,124	22,533
TOTAL LIABILITIES AND EQUITY		99,084	102,947

The financial statements were approved and authorised for issue by the Board of Directors on the day of 2018 and were signed on its behalf by:

Christopher Michael Warnes
Director

20/11/2018

(The notes on pages 10 to 22 form part of these audited financial statements)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

(EXPRESSED IN BRITISH POUNDS)

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2016	422	25,923	26,345
Total loss for the year	-	(3,812)	(3,812)
Balance at 31 March 2017	422	22,111	22,533
Total loss for the year	-	(2,409)	(2,409)
Balance at 31 March 2018	422	19,702	20,124

(The notes on pages 10 to 22 form part of these audited financial statements)

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2018

(EXPRESSED IN BRITISH POUNDS)

	1 Apr 2017 to 31 Mar 2018 £'000	1 Apr 2016 to 31 Mar 2017 £'000
Cash flows from operating activities		
Total loss for the year	(2,409)	(3,812)
Adjustments for:		
Interest income	(1)	(2)
Interest expense	2,734	2,650
Unrealised loss on revaluation of investment properties	3,256	6,205
Realised gain on disposal of investment properties	(782)	(679)
Changes in working capital:		
Decrease / (increase) in receivables	135	(46)
Increase / (decrease) in payables	15	(68)
Net cash generated from operating activities	2,948	4,248
Cash flows from investing activities		
Proceeds from disposal of investment properties	1,332	1,554
Interest received	1	2
Net cash generated from investing activities	1,333	1,556
Cash flows from financing activities		
Net repayment of borrowings	(1,500)	(2,925)
Interest paid	(2,703)	(2,614)
Net cash used in financing activities	(4,203)	(5,539)
Net increase in cash and cash equivalents	78	265
Cash and cash equivalents at the beginning of the year	3,474	3,209
Cash and cash equivalents at the end of the year	3,552	3,474

(The notes on pages 10 to 22 form part of these audited financial statements)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1. GENERAL INFORMATION

Chime Properties Limited (the "Company") was incorporated in the United Kingdom under the laws of England and Wales on 17 March 2006.

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 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 year data as at, and for the year ended 31 March 2017, as described in the summary of significant accounting policies.

The significant accounting 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. The Company has not early adopted any New Accounting Requirements.

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 Company. 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 Company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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

IFRS 9, "Financial Instruments" - (continued)

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.

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, the adoption of IFRS 9 will have no material impact on the recognition, measurement or disclosures relating to its financial instruments. It is further noted that the primary assets held by the Company comprise investment property, which is not a financial instrument and thus not impacted by IFRS 9 becoming effective.

IFRS 15, "Revenue from Contracts with Customers" – effective for accounting periods commencing on or after 1 January 2018 (early adoption is permitted)

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.

The majority of the Company's revenue from customers is through ground rent payments. This is recognised on an accruals basis, with a deferred income provision created for ground rent payments received but not accrued, so that such payments are not recognised as revenue until actually accrued. Other sources of income, is either outside the scope of IFRS 15, or else is not material. In the Directors' opinion, the adoption of IFRS 15 will not require any significant changes to the Company's revenue recognition model, and will not have a material impact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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

IFRS 16, "Leases" – effective for accounting periods commencing on or after 1 January 2019 (early adoption is permitted if IFRS 15, "Revenue from Contracts with Customers" has also been applied)

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.

Upon adoption, it is anticipated that IFRS 16 will not have a material impact on the recognition, measurement or disclosures within the financial statements.

Going concern

As at 31 March 2018 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 a letter of support from its ultimate parent company confirming that the intercompany loan as disclosed in note 6 will not be demanded to the extent that the demand would jeopardise the ability of the Company to meet its liabilities as they fall due.

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.

During the year, there was an update in the IAS 7 accounting policy in order to separately disclose the interest received and interest paid as cash flows from investing activities and financing activities, respectively, because these most appropriately reflect the Company's business activities. As such the prior year cashflow statement has been restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Investment property

Investment property comprises 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.

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. 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 in which they arise.

Cash and cash equivalents

For the purposes of these financial statements, cash comprises 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.

The effective interest rate method is a method of calculating the amortised costs of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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.

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 has been 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 have been 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 are 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 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Turnover

Turnover represents the value of ground rental income receivable for the year 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 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, receivables, 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 20,989 units (2017: 21,138 units) let to different tenants.

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

	31 Mar 2018	31 Mar 2017
Bank	**Rating**	**Rating**
Barclays	A	A
Coutts	Not rated	Not rated
RBS	BBB+	BBB+

3. FINANCIAL RISK FACTORS - (CONTINUED)

a) Credit risk - (continued)

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

	31 Mar 2018	31 Mar 2017
	£'000	£'000
Receivables	277	412
Cash and cash equivalents	3,552	3,474
	3,829	3,886

The fair value of cash and cash equivalents and receivables at 31 March 2018 and 2017 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 term 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.

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 semi-annual 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 other exposure to liquidity risk:

	31 Mar 2018	31 Mar 2017
	£'000	£'000
Financial assets - due within one year		
Receivables	277	412
Cash and cash equivalents	3,552	3,474
	3,829	3,886

3. FINANCIAL RISK FACTORS - (CONTINUED)

b) Liquidity risk - (continued)

	31 Mar 2018 £'000	31 Mar 2017 £'000
Financial liabilities - due within one year		
Trade and other payables and loans due on demand	25,157	26,683

The Company has the benefit of confirmation from its ultimate parent company that the loan payable will not be demanded to the extent that the demand would jeopardise the ability of the Company to meet its liabilities as they fall due.

Financial liabilities - due after more than one year		
Loans payable	53,000	53,000

c) Foreign exchange risk

The Company has no significant exposure to foreign currency risk as at 31 March 2018 and 2017.

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 price risk with respect to financial instruments as it does not hold any marketable financial instruments.

e) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets.

The Company has entered into fixed rate loans payable to its ultimate parent company, with interest payable at a rate of 6.5% and 5% per annum (as detailed in notes 6 and 7 respectively). The Company is exposed to cash flow risk to the extent that the rental income received from the tenants is not sufficient to meet the loan interest and amortisation payment obligations. For the current year, the rental income is in excess of the loan interest and amortisation payment obligations. 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	**31 Mar 2018**	**31 Mar 2017**
Freehold land	**£'000**	**£'000**
Cost	80,148	81,072
Disposals during the year	(633)	(924)
	79,515	80,148
Unrealised gain on the revaluation of investments at the start of the year	18,913	25,069
Adjustment of revaluation on disposals	83	49
Unrealised revaluation loss during the year	(3,256)	(6,205)
Unrealised gain on the revaluation of investments at the end of the year	15,740	18,913
Fair value	95,255	99,061

The Company's investment property comprises of 20,989 units (2017: 21,138 units) and was revalued on 31 March 2018 to £95,255,168 (2017: £99,061,330). The investment property held comprises a portfolio of reversionary interests in freehold land. At 31 March 2018 and 2017 the fair value has been estimated with reference to a valuation based upon a discounted cash flow model.

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 2018 and 2017 are as follows:

31 March 2018	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**
<u>Assets</u>			
Residential units located in the UK	-	-	95,255

4. INVESTMENT PROPERTY - (CONTINUED)

31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets			
Residential units located in the UK	-	-	99,061

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

The most significant unobservable input relates to the discount rates used. The discount rate is estimated to reflect current market assessment of the time value of future cash flows and the risks specific to the asset.

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 £1,195,594 (2017: £1,257,552).

A decrease in the discount rate of 0.05% would result in an increase in the portfolio valuation by £1,223,239 (2017: £1,286,670).

5. RECEIVABLES

Due within one year	31 Mar 2018 £'000	31 Mar 2017 £'000
Trade receivables	268	412
Other receivables	9	-
	277	412

6. PAYABLES

Due within one year	31 Mar 2018 £'000	31 Mar 2017 £'000
Amounts due to immediate parent - shareholder loan	-	26,233
Amounts due to ultimate parent - shareholder loan	24,733	-
Accruals and deferred income	1,227	1,177
Trade payables	-	4
	25,960	27,414

On 20 June 2014 the Company entered into a Shareholder Loan Agreement with Adriatic Land North Limited, its immediate parent company, for an amount up to £32,494,474, in order to partially refinance its previously owed Junior and Senior Ground Rent loans. The loan bore interest at a rate of 0% and was repayable on demand. During the year, the outstanding loan amount of £24,733,049 was assigned to the ultimate parent (see below). The amount outstanding at year end was £nil (2017: £26,233,049).

6. PAYABLES - (CONTINUED)

On 12 March 2018, the Company entered into a Shareholder Loan Agreement with Jetty Finance DAC, its ultimate parent company, for an amount up to £24,733,049, following the assignation of the previous loan payable to the immediate parent, to Jetty Finance DAC. Interest is payable semi-annually on 25 March and 25 September at a rate of 6.5% per annum. The loan is repayable on demand. The balance of this loan payable after 12 months and the total loan outstanding balance at year end amounted to £24,733,049 (2017: £nil).

Interest expense on the above loans amounting to £2,733,686 (2017: £2,650,000) has been recognised in the statement of profit or loss and other comprehensive income.

7. LOANS PAYABLE

	31 Mar 2018 £'000	31 Mar 2017 £'000
Amounts due to ultimate parent - interest bearing	53,000	53,000

On 20 June 2014 the Company entered into a Loan Agreement with its ultimate parent company in order to partially refinance Junior and Senior Ground Rent loans. The Company drewdown an initial loan of £53,000,000 from a maximum facility of £85,494,474. Interest is payable semi-annually on 25 March and 25 September at a rate of 5% per annum. From 25 March 2025 the Company will make amortisation repayments semi-annually on the Interest Payment Dates in accordance with an Amortisation Schedule. The balance of this loan payable after 12 months and the outstanding balance at year end amounted to £53,000,000 (2017: £53,000,000).

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 (2017: £nil).

Factors affecting the tax charge	31 Mar 2018 £'000	31 Mar 2017 £'000
Loss on ordinary activities before tax	(2,409)	(3,812)
Expected tax charge of 19% (2017: 20%)	-	-
Effect of:		
Gains, losses, allowances and net income adjustments for tax purposes	-	176
Chargeable gains on disposals	-	119
Tax relief brought forward	-	(251)
Tax relief current year	-	(44)
Group relief received without charge	-	-
Current tax charge	-	-

9. SHARE CAPITAL

	31 Mar 2018	31 Mar 2017
	£	£
AUTHORISED, ISSUED AND PAID:		
422,179 ordinary shares of £1 each	422,179	422,179

10. RELATED PARTY DISCLOSURES

J.C. Bingham and C.M Warnes are 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 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 £118,894 (2017: £110,433) were paid to SFSL in respect of the year ended 31 March 2018, of which £6,784 (2017: £nil) was outstanding at year end. Other inter-group transactions are disclosed in notes 6 and 7.

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

11. DEFERRED TAXATION

Management has determined that there were no deferred tax assets or liabilities as at 31 March 2018 (2017: £nil).

12. CONTROLLING PARTY

The Company's immediate parent company is Adriatic Land North Limited. The ultimate controlling party is Jetty Finance DAC, which is incorporated in Ireland. The Company's results have been consolidated into the consolidated financial statements of Jetty Finance DAC.

13. EVENTS DURING THE YEAR

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.

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

14. SUBSEQUENT EVENTS

There were no subsequent events requiring adjustment or disclosure at the date of approval of these audited financial statements.

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 20 NOVEMBER 2018.