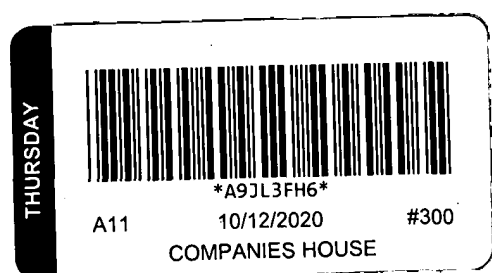


# **Limecay Limited**

Annual report and financial statements

Registered number 05828394

Year ended 31 December 2019



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## Company information

<b>Directors</b>	Timothy Otway Alan Joseph Sherling Alan William Green
<b>Secretary</b>	Blakelaw Secretaries Limited
<b>Auditor</b>	KPMG LLP Regus, 4th floor Salt Quay House 6 North East Quay Plymouth PL4 0HP
<b>Bankers</b>	The Royal Bank of Scotland plc London Corporate Services 2½ Devonshire Square London EC2M 4XJ  HSBC Private Bank (Suisse) SA Quai des Bergues 9-17 P.O. Box 2888 CH-1211 Genève
<b>Solicitors</b>	Blake Morgan New Kings Court Tollgate Chandlers' Ford Eastleigh SO53 3LG
<b>Registered office</b>	New Kings Court Tollgate Chandlers' Ford Eastleigh SO53 3LG
<b>Registered number</b>	05828394

## Strategic report

### Business review

The directors are satisfied with the results for the year ended 31 December 2019. Details of the results for the year are set out in the income statement on page 11.

Limecay Limited ("Limecay" or "the Company") rents the nursing and care homes it owns to a single tenant which operates nursing and care homes.

### Key risks and uncertainties

The Board of Directors has a well-established process for identifying business risks, evaluating controls and establishing and executing action plans.

A key risk that Limecay Limited faces is that its tenant could not pay its rent. The tenant is supported by strong future demand for its services based on the demographics of the UK population. The long-term growth in older population and rising affluence continues to offer opportunities for investment in the sector. The directors continue to believe these projections still hold true. The tenant may face difficulties recruiting staff post Brexit leading to increased cost pressures within its business however the directors believe that the tenant will be able to manage this situation and that the impact will not impede its ability to pay its rent to Limecay.

The other primary risk that the company faces relate to any potential decline in the property market which could lead to a devaluation in the value of the property portfolio. The shareholders take a long-term view on the property valuation and believe they can manage this risk given the quality of their tenant and their funding structure.

Brexit presents an additional risk to the valuation of the portfolio in that the post Brexit environment in the UK may well see an economic downturn and even recession. This may impact the valuation of the portfolio in the short term but longer term the fundamentals remain strong and the Directors believe that the impact will be short lived.

Given the nature of the Company's activity the use of KPIs is limited. The Directors monitor the performance of the tenant to ensure the serviceability of rent is sufficient.

### Coronavirus (COVID-19)

Although we have not yet seen any material impact on our business or that of our tenant, we are closely monitoring the developing situation relating to the Coronavirus (COVID-19).

The Board has considered and will continue to monitor the threat and implications of the Coronavirus in our business, but it is too early to fully understand the impact that the virus will have on our business sector and the wider macro-economic environment. We will continue to evaluate this situation and provide any update to our stakeholders at the appropriate time.

### Directors' S172 statement

As detailed above, Limecay Limited has a single tenant on a long term lease. The Board of Directors is in regular contact with the tenant and all decisions with regards the care home portfolio are taken in consultation with the tenant in order that the tenant may provide the best care to its residents. The lease in place requires the tenant to maintain the care homes in good repair.

The Company has a single shareholder (see note 18) and by having a reputable single tenant on a long term lease the value of the care homes is maximised. No material investment decisions were made in the year. All investment and portfolio decisions are made in the interest of maximising future shareholder returns.

Limecay has no employees other than its directors and has limited supplier relationships to manage. Due to the limited number of suppliers involved in the running of the Company, the directors are able to consider all individual supplier engagements, effectively manage the relationships, and ensure engagement terms are in line with Company strategy and best interests.

## Strategic report *(continued)*

### Going Concern

Notwithstanding net current liabilities of £1,246,485,000 as at 31 December 2019 (2018: £113,635,000), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's parent company, Limecay International Ltd., not seeking repayment of the amounts currently due to the company, which at 31 December 2019 amounted to £140,534,000 (2018: £105,538,000). The directors have received a letter from the parent company indicating its intention not to seek repayment of these amounts for at least the next twelve months from the approval of these financial statements, except in the event of any sale of the Company, when the amounts due would be settled as part of any transaction. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The forecasts are also dependent upon the successful refinance of the loan notes of £1,094,740,000 (2018: £1,094,740,000) which are all due for redemption in December 2020. As disclosed in note 18, the loan notes are held by the company's parent company, Limecay International Ltd. The directors are confident that the loan notes will be repaid in full from the proceeds of new loan notes that will be issued to the parent company.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### Future prospects

The directors expect the Company to maintain its current performance.

By order of the board.



Alan Sherling  
Director

New Kings Court  
Tollgate  
Chandlers' Ford  
Eastleigh  
SO53 3LG

10 March 2020

## Directors' report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2019.

### Principal activities

The principal activity of the Company is the investment in and leasing of nursing and care homes properties.

### Dividends

The directors do not recommend the payment of a dividend (2018: *£nil*).

### Directors and directors' interests

The directors who held office during the year and up to the date of approval of these financial statements were as follows:

Timothy Otway  
Alan Joseph Sherling  
Alan William Green

### Political and charitable contributions

The Company made no political donations during the year (2018: *£nil*). The Company made charitable donations of £55.1m (2018: *£47.9m*) during the year. See note 18 for those charitable donations that have been classified as made to a related party.

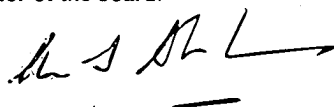
### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board.



Alan Sherling  
Director

New Kings Court  
Tollgate  
Chandlers' Ford  
Eastleigh  
SO53 3LG

10 March 2020

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Regus, 4th floor  
Salt Quay House  
6 North East Quay  
Plymouth  
PL4 0HP

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIMECAY LIMITED

### Opinion

We have audited the financial statements of Limecay Limited ("the company") for the year ended 31 December 2019 which comprise the Income Statement and Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash flow Statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors such as the valuation of Investment properties and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIMECAY LIMITED**

*(continued)*

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

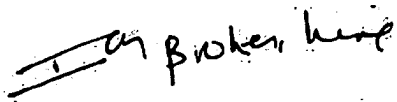
A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIMECAY LIMITED**

*(continued)*

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



10 March 2020

**Ian Brokenshire (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

Regus, 4th floor  
Salt Quay House  
6 North East Quay  
Plymouth  
PL4 0HP

## Income Statement

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
<b>Turnover</b>	1	105,490	102,226
Operating expenses		(218)	(387)
<b>Gross and operating profit</b>		<b>105,272</b>	<b>101,839</b>
Fair value gain on investment properties	7	40,379	127,080
Loss on sale of fixed assets		-	-
Interest payable and similar charges	4	(84,815)	(114,752)
Interest receivable and similar income	5	13	4
Other expenses		(55,100)	(47,886)
<b>Profit before taxation</b>	2	<b>5,749</b>	<b>66,285</b>
Tax on profit	6	(7,897)	(18,195)
<b>(Loss)/Profit after taxation</b>		<b>(2,148)</b>	<b>48,090</b>

All items related to continuing operations.

The notes on pages 15 to 25 form part of these financial statements.

## Statement of Comprehensive Income

for the year ended 31 December 2019

	2019 £000	2018 £000
<b>(Loss)/Profit for the year</b>	<b>(2,148)</b>	<b>48,090</b>
<b>Other comprehensive income:</b>		
Recycling of hedge reserve	20,900	20,900
<b>Total comprehensive income</b>	<b>18,752</b>	<b>68,990</b>

## Statement of Changes in Equity

	Share Capital	Hedge Reserve	Profit and Loss Account	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2018	17,047	(260,525)	371,594	128,116
<b>Total comprehensive income for the period</b>				
Profit for the period	-	-	48,090	48,090
Other comprehensive income	-	20,900	-	20,900
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>20,900</b>	<b>48,090</b>	<b>68,990</b>
<b>Balance at 31 December 2018</b>	<b>17,047</b>	<b>(239,625)</b>	<b>419,684</b>	<b>197,106</b>

	Share Capital	Hedge Reserve	Profit and Loss Account	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	17,047	(239,625)	419,684	197,106
<b>Total comprehensive income for the period</b>				
Loss for the period	-	-	(2,148)	(2,148)
Other comprehensive income	-	20,900	-	20,900
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>20,900</b>	<b>(2,148)</b>	<b>18,752</b>
<b>Balance at 31 December 2019</b>	<b>17,047</b>	<b>(218,725)</b>	<b>417,536</b>	<b>215,858</b>

The notes from pages 15 to 25 form part of the financial statements.

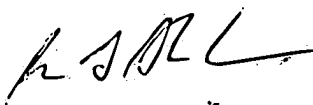
# Statement of Financial Position

at 31 December 2019

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Investment properties	7	1,775,000	1,732,080
<b>Current assets</b>			
Debtors	8	6,438	8,694
Cash at bank and in hand		7,434	7,012
		<u>13,872</u>	<u>15,706</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(1,260,357)</u>	<u>(129,341)</u>
<b>Net current liabilities</b>		<b>(1,246,485)</b>	<b>(113,635)</b>
<b>Total assets less liabilities</b>		<b>528,515</b>	<b>1,618,445</b>
<b>Creditors: amounts falling due after more than one year</b>	10	<b>(312,657)</b>	<b>(1,421,339)</b>
<b>Net assets</b>		<b>215,858</b>	<b>197,106</b>
<b>Capital and reserves</b>			
Called up share capital	13	17,047	17,047
Profit and loss account		417,536	419,684
Hedge reserve		(218,725)	(239,625)
<b>Equity shareholder's funds</b>		<b>215,858</b>	<b>197,106</b>

The notes from pages 15 to 25 form part of the financial statements.

These financial statements were approved by the board of directors on 10 March 2020 and were signed on its behalf by:



**Alan Sherling**

Director

Company Number: 05828394

## Cash flow statement

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
<b>(Loss)/Profit for the year</b>		<b>(2,148)</b>	48,090
<i>Adjustments for:</i>			
Fair value movement on investment properties	7	(40,379)	(127,080)
Interest payable and similar charges	4	84,815	114,752
Interest receivable and similar income	5	(13)	(4)
Taxation	6	7,897	18,195
		<hr/>	<hr/>
		50,172	53,953
Increase in trade and other creditors		36,362	29,832
		<hr/>	<hr/>
		86,534	83,785
		<hr/>	<hr/>
Tax received/(paid)		(679)	(1,395)
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		<b>85,855</b>	82,390
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Interest received		13	4
Acquisition to investment properties		(2,541)	-
		<hr/>	<hr/>
<b>Net cash from investing activities</b>		<b>(2,528)</b>	4
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Interest paid		(82,905)	(82,031)
		<hr/>	<hr/>
<b>Net cash from financing activities</b>		<b>(82,905)</b>	(82,031)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		422	363
Cash and cash equivalents at 1 January		7,012	6,649
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>		<b>7,434</b>	7,012
		<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Limecay Limited ("the Company") is a private company, incorporated, domiciled and registered in England in the UK. The registered number is 05828394 and the registered address is New Kings Court, Tollgate, Chandlers' Ford, Eastleigh, SO53 3LG.

#### ***Basis of preparation***

These financial statements were prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

#### ***Measurement Convention***

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss and investment property.

#### ***Going concern***

Notwithstanding net current liabilities of £1,246,485,000 as at 31 December 2019 (2018: £113,635,000), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's parent company, Limecay International Ltd., not seeking repayment of the amounts currently due to the company, which at 31 December 2019 amounted to £140,534,000 (2018: £105,538,000). The directors have received a letter from the parent company indicating its intention not to seek repayment of these amounts for at least the next twelve months from the approval of these financial statements, except in the event of any sale of the Company, when the amounts due would be settled as part of any transaction. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The forecasts are also dependent upon the successful refinance of the loan notes of £1,094,740,000 (2018: £1,094,740,000) which are all due for redemption in December 2020. As disclosed in note 18, the loan notes are held by the company's parent company, Limecay International Ltd. The directors are confident that the loan notes will be re-issued by the parent company.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### ***Turnover***

Revenue is derived from leasing its properties to its tenant under an operating lease and income is recognised on a straight-line basis over the period of the lease. All turnover is derived within the same geographical area from the same activity.

## **Notes** *(continued)*

### **1**      **Accounting policies** *(continued)*

#### **Interest Payable**

Interest payable and similar charges include interest payable, amortisation of hedge reserves and the impact of fair value movements in financial instruments.

#### **Taxation**

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

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

#### **Fixed assets - investment properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition investment properties are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise. No depreciation is provided in respect of investment properties applying the fair value model.

#### **Basic Financial instruments**

##### **Trade and other debtors / creditors**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### **Interest-bearing borrowings classified as basic financial instruments**

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Other Financial instruments*

##### *Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

##### *Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income ("OCI"). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

During 2013 Loan Notes ("Notes") were issued. These Notes are listed on the Cayman Islands Stock Exchange and due for redemption in 2020. See note 11.

On 6 September 2013 the Company paid £905.3m in settlement of the outstanding debt owed to the immediate parent undertaking of the Company at that date.

The Company further paid £187.7m to Royal Bank of Scotland Plc ("RBS") on 10 September 2013 to terminate the interest rate swaps. The Company retains the limited price inflation swaps ("LPI swaps") with RBS. See note 15.

## Notes (continued)

### 1 Accounting policies (continued)

#### **Impairment**

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **Operating Segments**

Under FRS 102, all companies with publicly listed equity or debt must apply IFRS 8 *Operating Segments*. The company has only one operating segment and as such no additional disclosure is required.

## Notes (continued)

### 2 Auditor's remuneration

	2019 £000	2018 £000
Audit of these financial statements	29	24
Tax related services	-	-
	<u>29</u>	<u>24</u>

### 3 Staff numbers and costs

The Company had no employees other than its directors (2018: nil).

The directors received emoluments of £40,195 (2018: £ 40,267) for services to the Company during the year.

The company did not operate a scheme for post-retirement benefits.

### 4 Interest payable and similar charges

	2019 £000	2018 £000
On loan notes, intercompany loans and overdrafts	78,896	78,893
Amortisation of finance issue costs and swaps	26,604	26,604
Fair value movement on LPI swap	(27,513)	3,354
Interests (all paid) on LPI swaps for the year	6,828	5,901
	<u>84,815</u>	<u>114,752</u>

### 5 Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable	13	4
	<u>13</u>	<u>4</u>

## Notes (continued)

### 6 Taxation

	2019 £000	2018 £000
<b>UK corporation tax</b>		
Current tax on income for the year	-	6
Adjustments in respect of prior periods	(6)	29
	(6)	35
<b>Jersey Income tax</b>	35	135
<b>Total current tax</b>	29	170
<b>Deferred tax</b>		
Origination/reversal of timing differences (see note 12)	8,239	2,374
Deferred tax on hedge recycling	(5,703)	(5,703)
Effects of change in corporation tax rate	(1,681)	(2,791)
Adjustment in respect of prior periods	(718)	-
Deferred taxation on revaluation of investment properties	7,731	24,145
<b>Total deferred tax</b>	7,868	18,025
<b>Tax charge on profit on ordinary activities</b>	7,897	18,195
	£000	£000
<b>Current tax reconciliation</b>		
Profit on ordinary activities before tax	5,749	66,285
Current tax at 19% (2018: 19%)	1,092	12,594
<b>Effects of:</b>		
Expenses not deductible for tax purposes	9,943	9,963
Non-taxable income	58	-
Impact of change in tax rates	(1,681)	(2,792)
Deferred tax not recognised	(179)	(1,086)
Deferred tax on hedge recycling	(648)	(648)
Adjustments in respect of prior periods	(723)	29
Jersey income tax	35	135
<b>Total charge/(credit) (see above)</b>	7,897	18,195

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2018) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. However, in December 2019, the UK government announced that it would likely maintain the 19% rate in the next 2020 budget. The deferred tax liability at 31 December 2019 has been calculated based on the 17% rate.

## Notes (continued)

### 7 Investment properties

	2019 £000	2018 £000
Directors' valuation at 1 January	1,732,080	1,605,000
Additions during the year	2,541	-
Fair value movement in the year	40,379	127,080
	<hr/>	<hr/>
Valuation at 31 December	1,775,000	1,732,080
	<hr/>	<hr/>

The investment properties held by the Company are carried at fair value through profit or loss. The year-end valuation is based on a valuation performed by Colliers CRE, external surveyors. The Colliers review was conducted following the principles of the practice statements in the valuation standards (The Red Book) published by the Royal Institution of Chartered Surveyors. Colliers CRE are members of the Royal Institution of Chartered Surveyors and have appropriate qualification and recent experience in the valuation of properties in the relevant locations.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in the note 1 accounting policies.

### 8 Debtors

	2019 £000	2018 £000
Prepayments	4,671	7,494
UK corporation tax receivable	1,767	1,200
	<hr/>	<hr/>
	6,438	8,694
	<hr/>	<hr/>

### 9 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Loan notes (see note 11)	1,094,740	-
Other creditors	557	2
UK corporation tax payable	-	5
Accruals and deferred income	24,526	23,796
Amounts owed to parent company	140,534	105,538
	<hr/>	<hr/>
	1,260,357	129,341
	<hr/>	<hr/>

## Notes *(continued)*

### 10 Creditors: amounts falling after more than one year

	2019 £000	2018 £000
Loan notes (see note 11)	-	1,094,740
Inflation swap held at fair value (through profit and loss)	148,800	176,312
Deferred tax liabilities (see note 12)	163,857	150,287
	<u>312,657</u>	<u>1,421,339</u>

### 11 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost

	£000	£000
A Notes	524,000	524,000
B Notes	460,950	460,950
C Notes	109,790	109,790
	<u>1,094,740</u>	<u>1,094,740</u>

The Notes were issued in September 2013 and listed on the Cayman Islands Stock Exchange in November 2013. The A, B and C Notes are all due for redemption in December 2020 and bear interest at rates of 5.44% p.a., 7.19% p.a. and 12.94% p.a. respectively. The Notes are held by the Company's parent.

## Notes (continued)

### 12 Deferred taxation

	2019 £000	2018 £000
<i>Net deferred tax liabilities</i>		
At beginning of year	150,287	126,559
Charge to profit and loss for the year	7,867	18,025
Deferred tax impact of recycling of hedge reserve	5,703	5,703
	<hr/>	<hr/>
<b>At end of year</b>	<b>163,857</b>	<b>150,287</b>
	<hr/>	<hr/>
<i>The components of the net deferred tax balance were as follows:</i>		
	£000	£000
Temporary differences on financial instruments	(33,754)	(41,125)
On property gains	197,610	191,412
	<hr/>	<hr/>
Net deferred tax liability	163,857	150,287
	<hr/>	<hr/>

### 13 Called up share capital

	2019 £000	2018 £000
<i>Allotted, issued and fully paid</i>		
17,047,399 (2018: 17,047,399) ordinary shares of £1 each	17,047	17,047
	<hr/>	<hr/>

### 14 Cash and Cash Equivalents

	2019 £000	2018 £000
Cash at bank and in hand per cash flow statement	7,434	7,012
	<hr/>	<hr/>

## Notes *(continued)*

### 15 Fair value of assets and liabilities

The Company has derivative financial instruments that have been recognised at fair value through the profit and loss. The financial instruments are as follows:

Derivative	Maturity Date	Notional value £000	Fair value	
			2019 £000	2018 £000
Limited price inflation swap	30 June 2031	38,920	(87,746)	(103,969)
Limited price inflation swap	30 June 2031	27,080	(61,054)	(72,343)
		<u>66,000</u>	<u>(148,800)</u>	<u>(176,312)</u>

### 16 Financial Instruments

#### *Carrying Amount of Financial Instruments*

The carrying amount of the financial assets and liabilities include	2019 £000	2018 £000
Assets measured at amortised cost	5,871	8,694
Liabilities measured at fair value through profit and loss	(148,800)	(176,312)
Liabilities measured at amortised cost	<u>(1,424,214)</u>	<u>(1,374,368)</u>

### 17 Accounting estimates and judgements

#### *Key sources of estimation uncertainty*

The key area of estimation uncertainty relates to the valuation of the investment properties and as a result the related deferred tax liabilities.

The valuation of investment properties is based on achieving an assumed average rent cover and adopting individual net initial yields for each property. The valuation is subject to judgement and variations in these metrics can have a significant impact on investment property valuations and the related deferred tax liabilities.

As described in note 7, the Directors use external valuers to inform their estimates and reduce the uncertainty inherent in this type of asset.



## Notes *(continued)*

### 18 Ultimate parent company and related party transactions.

The Company is a wholly owned subsidiary undertaking of Limecay International Ltd., whose registered address is Tortola Pier Park, Building 1, 2<sup>nd</sup> Floor, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

The Company defines related parties as the Board of Directors, senior management, their close family members, parent and fellow subsidiaries and associated companies through direct shareholdings or common ownership.

The Company leases properties to the Grove Limited group which is owned by common controlling shareholders. Rental income from the Grove Limited group was £105,490,408 (2018: £102,226,334). At the year-end there was an outstanding creditor (2018: creditor) with Limecay International Ltd. for £140,534,298 (2018: £105,537,973).

During the year, the Company made charitable donations of £54.5m (2018: £47.4m) which are included in other expenses to a charity connected to an ultimate beneficial shareholder of the Company and as such that charity have been classified as a related party.

The Company is funded primarily by a series of loan notes (see note 11). These loan notes were issued by the Company and are held by Limecay International Ltd.

The directors are of the opinion that there is no one ultimate controlling party.