

Limecay Limited

Annual report and financial statements

Registered number 05828394

Year ended 31 December 2021



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Company information

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

Strategic report

Business review

The directors are satisfied with the results for the year ended 31 December 2021. Details of the results for the year are set out in the income statement on page 12.

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 the Company faces is the ability of its tenant to pay its rent on an ongoing basis. 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 other primary risk that the Company faces is any potential decline in the property market which could lead to a devaluation in the value of the property portfolio. The shareholder takes a long-term view on the property valuation and believe the Company can manage this risk given the quality of its tenant and its funding structure.

In addition the Coronavirus pandemic and in particular the geopolitical environment in the world present risks which ultimately may see an economic downturn and even recession in the UK, across Europe and in other parts of the world. 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 relatively 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.

Directors' S172 statement

As detailed above, the Company has a single tenant on a long-term lease. The Board of Directors is in regular contact with the tenant and all decisions with regard to 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 19). By having a reputable single tenant on a long term lease, the value of the care homes is maximised. The rent payable under the terms of the lease is indexed annually to RPI. No material investment decisions were made in the year. All investment and portfolio decisions are made in the interest of maximising future shareholder returns.

The Company 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 £89,826,000 as at 31 December 2021 (2020: £149,904,000), 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 owed by the Company to it (excluding loan notes) which, at 31 December 2021 amounted to £87,676,000 (2020: £133,357,000). 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 repaid 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.

As noted in the Directors S172 statement, the Company has a single tenant on a long lease until 2036. The directors have continued to monitor the performance of the tenant throughout the Coronavirus pandemic at its regular board meetings and received updates from the property portfolio manager. The tenant continued to make all rent payments on time during the pandemic. The tenant's balance sheet is strong and the directors have no concerns that the tenant will be unable to pay its ongoing rent obligations.

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.

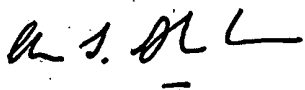
Streamlined Energy and Carbon Reporting disclosure

The directors have considered the requirements of Streamlined Energy and Carbon Reporting ("SECR") disclosure and have no usage to report for the following reasons:

- 1) SECR requires organisations to report all energy use and associated GHG emissions that they are responsible for. As the lessor of the properties, the Company is not the organisation responsible for the consumption of energy. The Directors have confirmed that the relevant data will be reported by its lessee in line with the requirements.
- 2) After consideration of the above, the Company qualifies as a "low energy user" by consuming 40MWh or less during the financial year.

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

6 May 2022

Directors' report

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

Principal activities

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

Dividends

The directors do not recommend the payment of a dividend (2020: £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 O'way
Alan Joseph Sherling
Alan William Green

Political and charitable contributions

The Company made no political donations during the year (2020: £nil). The Company made no charitable donations during the year (2020: £2,011,000).

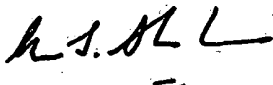
Disclosure of information to auditor

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

6 May 2022

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. The directors 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.

KPMG LLP
Regus, 4th floor
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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 2021 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 2021 and of its loss 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.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIMECAY LIMITED

(continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is derived from a rental agreement which is predictable and low in complexity.

We also identified a fraud risk relating to the valuation of investment property in response to possible pressures to meet shareholder asset growth aspirations.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to account combinations (where associated with a fraud risk) and unusual postings to cash and borrowings related accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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.

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.

Andrew Gordon

Andrew Gordon (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

6 May 2022

Income Statement

for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Turnover	2	110,400	108,508
Operating expenses		(346)	(269)
Gross and operating profit		110,054	108,239
Fair value gain on investment properties	8	49,883	24,951
Profit/(loss) on sale of investment property		50	(182)
Interest payable and similar charges	5	(118,688)	(91,063)
Interest receivable and similar income	6	1	6
Other expenses		-	(2,009)
Profit before taxation		41,300	39,942
Tax on profit	7	(57,828)	(22,280)
(Loss)/profit after taxation		(16,528)	17,662

All items related to continuing operations.

The notes on pages 16 to 26 form part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2021

	2021 £000	2020 £000
(Loss)/profit for the year	(16,528)	17,662
Other comprehensive income:		
Recycling of hedge reserve	20,900	20,900
Total comprehensive income	4,372	38,562

Statement of Changes in Equity

	Share Capital	Hedge Reserve	Profit and Loss Account	Total Equity
	£'000	£'000	£'000	£'000
Balance at 31 December 2019	17,047	(218,725)	445,100	243,422
Total comprehensive income for the period				
Profit for the period	-	-	17,662	17,662
Other comprehensive income	-	20,900	-	20,900
Total comprehensive income for the period	-	20,900	17,662	38,562
Balance at 31 December 2020	17,047	(197,825)	462,762	281,984

	Share Capital	Hedge Reserve	Profit and Loss Account	Total Equity
	£'000	£'000	£'000	£'000
Balance at 31 December 2020	17,047	(197,825)	462,762	281,984
Total comprehensive income for the period				
Profit for the period	-	-	(16,528)	(16,528)
Other comprehensive income	-	20,900	-	20,900
Total comprehensive income for the period	-	20,900	(16,528)	4,372
Balance at 31 December 2021	17,047	(176,925)	446,234	286,356

The notes from pages 16 to 26 form part of the financial statements.

Statement of Financial Position
at 31 December 2021

	Note	2021		2020	
		£000	£000	£000	£000
Fixed assets					
Investment properties	8		1,831,705		1,799,769
Current assets					
Debtors	9	1,656		1,614	
Cash at bank and in hand		23,141		7,774	
		<u>24,797</u>		<u>9,388</u>	
Creditors: amounts falling due within one year	10	<u>(114,623)</u>		<u>(159,292)</u>	
Net current liabilities			<u>(89,826)</u>		<u>(149,904)</u>
Total assets less liabilities			<u>1,741,879</u>		<u>1,649,865</u>
Creditors: amounts falling due after more than one year	11		<u>(1,455,523)</u>		<u>(1,367,881)</u>
Net assets			<u>286,356</u>		<u>281,984</u>
Capital and reserves					
Called up share capital	14		17,047		17,047
Profit and loss account			446,234		462,762
Hedge reserve			<u>(176,925)</u>		<u>(197,825)</u>
Equity shareholder's funds			<u>286,356</u>		<u>281,984</u>

The notes from pages 16 to 26 form part of the financial statements.

These financial statements were approved by the board of directors on 6 May 2022 and were signed on its behalf by:



Alan Sherling
Director
Company Number: 05828394

Cash flow statement
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
(Loss)/profit for the year		(16,528)	17,662
Adjustments for:			
Fair value movement on investment properties	8	(49,883)	(24,951)
(Profit)/loss on sale of investment property		(50)	182
Interest payable and similar charges	5	118,688	91,063
Interest receivable and similar income	6	(1)	(6)
Taxation	7	57,828	22,280
		<hr/>	<hr/>
Increase in trade and other debtors		110,054	106,230
Decrease in trade and other creditors		(13)	-
		(41,626)	(10,678)
		<hr/>	<hr/>
		68,415	95,552
		<hr/>	<hr/>
Tax (paid)		(11,137)	(5,500)
		<hr/>	<hr/>
Net cash from operating activities		57,278	90,052
		<hr/>	<hr/>
Cash flows from investing activities			
Interest received		1	6
Proceeds from sale of investment properties		19,255	550
Acquisition of investment properties		-	(550)
		<hr/>	<hr/>
Net cash from investing activities		19,256	6
		<hr/>	<hr/>
Cash flows from financing activities			
Interest paid		(54,713)	(83,138)
Arrangement fee payment		(4,367)	(6,580)
Payment on partial termination of LPI swaps		(2,087)	-
		<hr/>	<hr/>
Net cash from financing activities		(61,167)	(89,718)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		15,367	340
Cash and cash equivalents at 1 January		7,774	7,434
		<hr/>	<hr/>
Cash and cash equivalents at 31 December		23,141	7,774
		<hr/>	<hr/>

The notes from pages 16 to 26 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Limecay Limited ("the Company") is a private company, incorporated, domiciled and registered in England. 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 18.

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 £89,826,000 as at 31 December 2021 (2020: £149,904,000), 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 owed by the Company to it (excluding loan notes) which, at 31 December 2021 amounted to £87,676,000 (2020: £133,357,000). 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 repaid 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.

As noted in the Directors S172 statement, the Company has a single tenant on a long lease until 2036. The directors have continued to monitor the performance of the tenant throughout the Coronavirus pandemic at its regular board meetings and received updates from the property portfolio manager. The tenant continued to make all rent payments on time during the pandemic. The tenant's balance sheet is strong and the directors have no concerns that the tenant will be unable to pay its ongoing rent obligations.

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.

Notes (continued)

1 Accounting policies (continued)

Turnover

Revenue is derived from leasing properties to the 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 and from the same activity.

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. The Notes maturity date was extended from 31 December 2020 to 31 December 2027. See note 12.

The Company paid £187,700,000 to Royal Bank of Scotland Plc ("RBS") on 10 September 2013 to terminate the interest rate swaps linked to debt at the time.

The Company has limited price inflation swaps ("LPI swaps") in place, see note 16. In June 2021 100% of the LPI swaps were novated to JP Morgan from RBS. Following the sale of four care homes a partial termination of the corresponding portion of the LPI swaps occurred in August 2021. The Company paid £2,087,000 to JP Morgan to partially terminate the LPI swaps.

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 Turnover

	2021 £000	2020 £000
United Kingdom	110,400	108,508

3 Auditor's remuneration

	2021 £000	2020 £000
Audit of these financial statements	32	30

4 Staff numbers and costs

The Company had no employees other than its directors (2020: nil).

The directors received emoluments of £40,000 (2020: £ 40,138) for services to the Company during the year.

The Company does not operate a scheme for post-retirement benefits.

5 Interest payable and similar charges

	2021 £000	2020 £000
On loan notes, intercompany loans and overdrafts	49,384	79,112
Amortisation of finance issue costs and swaps	26,604	26,604
Fair value movement on LPI swap	33,785	(21,836)
Payment on partial termination of LPI Swaps	2,087	-
Payments under LPI swap agreements made during the year	6,828	7,183
	118,688	91,063

6 Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable	1	6

Notes (continued)

7 Taxation

	2021 £000	2020 £000
UK corporation tax		
Current tax on income for the year	11,173	7,112
Adjustments in respect of prior periods	(11)	-
	<hr/> 11,162	<hr/> 7,112
Jersey Income tax	87	39
	<hr/> 11,249	<hr/> 7,151
Deferred tax		
Origination/reversal of timing differences (see note 13)	(7,883)	692
Deferred tax on hedge recycling	(5,703)	(5,703)
Deferred taxation on revaluation of investment properties	8,900	15,991
Adjustment in respect of prior periods	-	(365)
Effects of change in corporation tax rate	51,265	4,514
	<hr/> 46,579	<hr/> 15,129
Tax (credit)/charge on profit on ordinary activities	<hr/> 57,828	<hr/> 22,280
	<hr/> <hr/>	<hr/> <hr/>
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	41,300	39,942
	<hr/>	<hr/>
Current tax at 19% (2020: 19%)	7,847	7,589
Effects of:		
Expenses not deductible for tax purposes	2	-
Non-taxable income	(631)	(326)
Impact of change in tax rates	51,264	15,991
Impact of change in tax rate on deferred tax on hedge recycling	(658)	(648)
Adjustments in respect of prior periods	-	(365)
Jersey income tax	4	39
	<hr/>	<hr/>
Total charge/(credit)	<hr/> 57,828	<hr/> 22,280
	<hr/> <hr/>	<hr/> <hr/>

In the Finance Act 2020, the UK corporate tax rate continued at 19% and the intended reduction to 17% from 1 April 2020 no longer applies. Following the Finance Act 2021, the corporate tax rate will increase from 19% to 25% with effect from 1 April 2023 and this will have a consequential effect on the Company's future tax charge.

The increase in the UK corporate tax rate to 25% (effective 1 April 2023) was substantially enacted on 24 May 2021. Therefore, the deferred tax position at 31 December 2021 has been calculated at 25%.

Notes (continued)

8 Investment properties

	2021 £000	2020 £000
Directors' valuation at 31 December 2021	1,799,769	1,775,000
Additions during the year	1,258	550
Disposals during the year	(19,205)	(732)
Fair value movement in the year	49,883	24,951
	<u>1,831,705</u>	<u>1,799,769</u>
Valuation at 31 December 2021	1,831,705	1,799,769

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.

9 Debtors

	2021 £000	2020 £000
Prepayments	1,626	1,515
UK corporation tax receivable	30	99
	<u>1,656</u>	<u>1,614</u>

Notes (continued)

10 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Other creditors	112	1,107
Jersey income tax payable	69	18
Accruals and deferred income	26,766	24,810
Amounts owed to parent company	87,676	133,357
	<u>114,623</u>	<u>159,292</u>

All creditors are unsecured.

11 Creditors: amounts falling after more than one year

	2021 £000	2020 £000
Loan notes (see note 12)	1,085,356	1,083,793
Inflation swap held at fair value (through profit and loss)	160,760	126,963
Deferred tax liabilities (see note 13)	209,407	157,125
	<u>1,455,523</u>	<u>1,367,881</u>

All creditors are unsecured.

12 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

	2021 £000	2020 £000
A Notes	524,000	524,000
B Notes	460,950	460,950
C Notes	109,790	109,790
Loan arrangement fees	(9,384)	(10,947)
Total interest-bearing debt	<u>1,085,356</u>	<u>1,083,793</u>

The Notes were initially issued in September 2013 and listed on the Cayman Islands Stock Exchange in November 2013. In December 2020, the Notes maturity date was extended from 31 December 2020 to 31 December 2027. From 31 December 2020, the A, B and C Notes bear interest at rates of 3.24%, 4.00% and 11.24% per annum respectively. Prior to this date the A, B and C Notes bore interest at rates of 5.44%, 7.19% and 12.94% per annum respectively.

The Notes are held by the Company's parent, as disclosed in note 19.

Notes (continued)

13 Deferred taxation

	2021 £000	2020 £000
<i>Net deferred tax liabilities</i>		
At beginning of year	157,125	136,293
(Credit)/charge to profit and loss for the year	46,579	15,129
Deferred tax impact of recycling of hedge reserve	5,703	5,703
At end of year	209,407	157,125
<i>The components of the net deferred tax balance were as follows:</i>		
Temporary differences on financial instruments	(98,356)	(67,873)
On property gains	307,763	224,998
Tax losses	-	-
Net deferred tax liability	209,407	157,125

14 Called up share capital

	2021 £000	2020 £000
<i>Allotted, issued and fully paid</i>		
17,047,399 (2020: 17,047,399) ordinary shares of £1 each	17,047	17,047

15 Cash and Cash Equivalents

	2021 £000	2020 £000
Cash at bank and in hand per cash flow statement	23,141	7,774

Notes (continued)

16 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	
			2021 £000	2020 £000
Limited price inflation swap	30 June 2031	38,920	(94,799)	(74,869)
Limited price inflation swap	30 June 2031	27,080	(65,961)	(52,094)
		<u>66,000</u>	<u>(160,760)</u>	<u>(126,963)</u>

17 Financial Instruments

Carrying Amount of Financial Instruments

The carrying amount of the financial assets and liabilities include	2021 £000	2020 £000
Assets measured at amortised cost	11,009	12,463
Liabilities measured at fair value through profit and loss	(160,760)	(126,963)
Liabilities measured at amortised cost	<u>(1,366,436)</u>	<u>(1,417,889)</u>

18 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. The net yield adopted is impacted by a number of factors such as location, size and quality of asset together with external factors such as recent market transaction prices and as such it is not practicable to apply a single sensitivity to the portfolio as a whole.

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)

19 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, 2nd 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 £110,399,962 (2020: £108,507,810). At the end of the year there was an amount included in accruals and deferred income of £25,475,416 (2020: £24,756,249) for rental income paid in advance for 2022. In addition there is an amount owed to Grove Limited of £1,258,268 (2020: £1,107,149) for build costs incurred on investment properties owned by the Company.

At the year-end, there was an amount owed to Limecay International Ltd. of £87,675,640 (2020: £133,356,537). During the year the Company received £2,300,000 from Limecay International Ltd..

The Company is funded primarily by a series of loan notes (see note 12). 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.