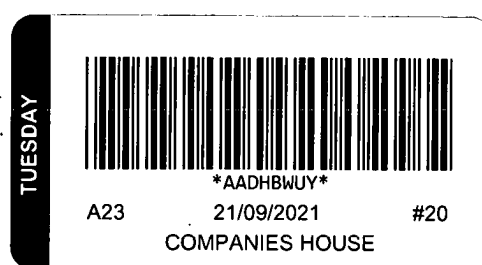


Limecay Limited

Annual report and financial statements

Registered number 05828394

Year ended 31 December 2020



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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> |
| Solicitors | 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 2020. 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 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 the ability of the tenant to pay its rent to the Company.

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.

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.

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 18). 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 £149,904,000 as at 31 December 2020 (2019: £1,246,485,000), 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 2020 amounted to £133,356,537 (2019: £140,534,298). 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

7 June 2021

Directors' report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2020.

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 (2019: *£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 (2019: *£nil*). The Company made charitable donations of £2.0m (2019: *£55.1m*) during the year. See note 18 for those charitable donations in the prior year 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

7 June 2021

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
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 2020 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 2020 and of its profit 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 unusual or higher risk accounts, and those posted with key words or no description.
- 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

10 June 2021

Income Statement

for the year ended 31 December 2020

| | Notes | 2020 £000 | 2019 £000 Restated* |
|--|-------|----------------|---------------------------|
| Turnover | 1 | 108,508 | 105,490 |
| Operating expenses | | (269) | (218) |
| Gross and operating profit | | 108,239 | 105,272 |
| Fair value gain on investment properties | 7 | 24,951 | 40,379 |
| Loss on sale of investment property | | (182) | - |
| Interest payable and similar charges | 4 | (91,063) | (84,815) |
| Interest receivable and similar income | 5 | 6 | 13 |
| Other expenses | | (2,009) | (55,100) |
| Profit before taxation | 2 | 39,942 | 5,749 |
| Tax on profit | 6 | (22,280) | 932 |
| Profit after taxation | | 17,662 | 6,681 |

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 2020

| | 2020 £000 | 2019 £000 Restated* |
|------------------------------------|---------------|---------------------------|
| Profit for the year | 17,662 | 6,681 |
| <i>Other comprehensive income:</i> | | |
| Recycling of hedge reserve | 20,900 | 20,900 |
| Total comprehensive income | 38,562 | 27,581 |

* Refer to note 19 for prior year adjustment.

Statement of Changes in Equity

| | Share Capital £'000 | Hedge Reserve £'000 | Profit and Loss Account £'000 | Total Equity £'000 |
|---|---------------------------|---------------------------|--|-----------------------|
| Balance at 31 December 2018 | 17,047 | (239,625) | 419,684 | 197,106 |
| Prior year adjustment | - | - | 18,735 | 18,735 |
| As Restated* | 17,047 | (239,625) | 438,419 | 215,841 |
| Total comprehensive income for the period | | | | |
| Profit for the period – <i>as restated</i> * | - | - | 6,681 | 6,681 |
| Other comprehensive income | - | 20,900 | - | 20,900 |
| Total comprehensive income for the period (restated) | - | 20,900 | 6,681 | 27,581 |
| Balance at 31 December 2019 (restated) | 17,047 | (218,725) | 445,100 | 243,422 |

| | Share Capital £'000 | Hedge Reserve £'000 | Profit and Loss Account £'000 | Total Equity £'000 |
|---|---------------------------|---------------------------|--|--------------------------|
| Balance at 31 December 2019 (restated) | 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 |

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

* Refer to note 19 for prior year adjustment.

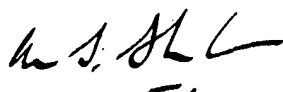
Statement of Financial Position
at 31 December 2020

| | Note | 2020 | | 2019 Restated* | |
|--|------|------------------|--------------------|--------------------|--------------------|
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Investment properties | 7 | | 1,799,769 | | 1,775,000 |
| Current assets | | | | | |
| Debtors | 8 | 1,614 | | 6,438 | |
| Cash at bank and in hand | | 7,774 | | 7,434 | |
| | | <u>9,388</u> | | <u>13,872</u> | |
| Creditors: amounts falling due within one year | 9 | <u>(159,292)</u> | | <u>(1,260,357)</u> | |
| Net current liabilities | | | <u>(149,904)</u> | | <u>(1,246,485)</u> |
| Total assets less liabilities | | | <u>1,649,865</u> | | <u>528,515</u> |
| Creditors: amounts falling due after more than one year | 10 | | <u>(1,367,881)</u> | | <u>(285,093)</u> |
| Net assets | | | <u>281,984</u> | | <u>243,422</u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | | 17,047 | | 17,047 |
| Profit and loss account | | | 462,762 | | 445,100 |
| Hedge reserve | | | <u>(197,825)</u> | | <u>(218,725)</u> |
| Equity shareholder's funds | | | <u>281,984</u> | | <u>243,422</u> |

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

*Refer to note 19 for prior year adjustment.

These financial statements were approved by the board of directors on 7 June 2021 and were signed on its behalf by:



Alan Sherling
Director
Company Number: 05828394

Cash flow statement

for the year ended 31 December 2020

| | Note | 2020 | 2019 |
|--|------|----------|-----------|
| | | £000 | £000 |
| Cash flows from operating activities | | | Restated* |
| Profit for the year | | 17,660 | 6,681 |
| Adjustments for: | | | |
| Fair value movement on investment properties | 7 | (24,951) | (40,379) |
| Loss on sale of investment property | | 182 | - |
| Interest payable and similar charges | 4 | 91,063 | 84,815 |
| Interest receivable and similar income | 5 | (6) | (13) |
| Taxation | 6 | 22,280 | (932) |
| | | <hr/> | <hr/> |
| (Decrease)/increase in trade and other creditors | | 106,228 | 50,172 |
| | | (10,676) | 36,362 |
| | | <hr/> | <hr/> |
| | | 95,552 | 86,534 |
| | | <hr/> | <hr/> |
| Tax (paid) | | (5,500) | (679) |
| | | <hr/> | <hr/> |
| Net cash from operating activities | | 90,052 | 85,855 |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Interest received | | 6 | 13 |
| Proceeds from sale of investment properties | | 550 | - |
| Acquisition of investment properties | | (550) | (2,541) |
| | | <hr/> | <hr/> |
| Net cash from investing activities | | 6 | (2,528) |
| | | <hr/> | <hr/> |
| Cash flows from financing activities | | | |
| Interest paid | | (83,138) | (82,905) |
| Arrangement fee payment | | (6,580) | - |
| | | <hr/> | <hr/> |
| Net cash from financing activities | | (89,718) | (82,905) |
| | | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | | 340 | 422 |
| Cash and cash equivalents at 1 January | | 7,434 | 7,012 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at 31 December | | 7,774 | 7,434 |
| | | <hr/> | <hr/> |

*Refer to note 19 for prior year adjustment.

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 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 £149,904,000 as at 31 December 2020 (2019: £1,246,485,000), 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 2020, amounted to £133,357,000 (2019: £140,534,000). 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.

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 during the year. See note 11.

The Company paid £187.7m 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") 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

| | 2020 £000 | 2019 £000 |
|-------------------------------------|--------------|--------------|
| Audit of these financial statements | 30 | 29 |

3 Staff numbers and costs

The Company had no employees other than its directors (2019: nil).

The directors received emoluments of £40,138 (2019: £ 40,195) for services to the Company during the year.

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

4 Interest payable and similar charges

| | 2020 £000 | 2019 £000 |
|---|---------------|---------------|
| On loan notes, intercompany loans and overdrafts | 79,112 | 78,896 |
| Amortisation of finance issue costs and swaps | 26,604 | 26,604 |
| Fair value movement on LPI swap | (21,836) | (27,513) |
| Payments under LPI swap agreements made during the year | 7,183 | 6,828 |
| | <u>91,063</u> | <u>84,815</u> |

5 Interest receivable and similar income

| | 2020 £000 | 2019 £000 |
|---------------------|--------------|--------------|
| Interest receivable | 6 | 13 |

Notes (continued)

6 Taxation

| | 2020 £000 | 2019 £000 Restated* |
|---|--------------|---------------------------|
| UK corporation tax | | |
| Current tax on income for the year | 7,112 | - |
| Adjustments in respect of prior periods | - | (6) |
| | <hr/> | <hr/> |
| | 7,112 | (6) |
| Jersey Income tax | 39 | 35 |
| | <hr/> | <hr/> |
| Total current tax | 7,151 | 29 |
| | <hr/> | <hr/> |
| Deferred tax | | |
| Origination/reversal of timing differences (see note 12) | 692 | (1,630) |
| Deferred tax on hedge recycling | (5,703) | (5,703) |
| Effects of change in corporation tax rate | 15,991 | (641) |
| Adjustment in respect of prior periods | (365) | (718) |
| Deferred taxation on revaluation of investment properties | 4,514 | 7,731 |
| | <hr/> | <hr/> |
| Total deferred tax | 15,129 | (961) |
| | <hr/> | <hr/> |
| Tax (credit)/charge on profit on ordinary activities | 22,280 | (932) |
| | <hr/> | <hr/> |
| | £000 | £000 |
| Current tax reconciliation | | |
| Profit on ordinary activities before tax | 39,942 | 5,749 |
| | <hr/> | <hr/> |
| Current tax at 19% (2019: 19%) | 7,589 | 1,092 |
| Effects of: | | |
| Expenses not deductible for tax purposes | - | 3 |
| Non-taxable income | (326) | (49) |
| Impact of change in tax rates | 15,991 | (641) |
| Impact of change in tax rate on deferred tax on hedge recycling | (648) | (648) |
| Adjustments in respect of prior periods | (365) | (724) |
| Jersey income tax | 39 | 35 |
| | <hr/> | <hr/> |
| Total charge/(credit) | 22,280 | (932) |
| | <hr/> | <hr/> |

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. However, the March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset/(liability) as at 31 December 2020 has been calculated based on this rate. In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

*Refer to note 19 for prior year adjustment.

Notes (continued)

7 Investment properties

| | 2020 £000 | 2019 £000 |
|-------------------------------------|--------------|--------------|
| Directors' valuation at 31 December | 1,775,000 | 1,732,080 |
| Additions during the year | 550 | 2,541 |
| Disposals during the year | (732) | - |
| Fair value movement in the year | 24,951 | 40,379 |
| | <hr/> | <hr/> |
| Valuation at 31 December | 1,799,769 | 1,775,000 |
| | <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

| | 2020 £000 | 2019 £000 |
|-------------------------------|--------------|--------------|
| Prepayments | 1,515 | 4,671 |
| UK corporation tax receivable | 99 | 1,767 |
| | <hr/> | <hr/> |
| | 1,614 | 6,438 |
| | <hr/> | <hr/> |

Notes (continued)

9 Creditors: amounts falling due within one year

| | 2020 £000 | 2019 £000 |
|--------------------------------|----------------|------------------|
| Loan notes (see note 11) | - | 1,094,740 |
| Other creditors | 1,107 | 557 |
| Accruals and deferred income | 24,828 | 24,526 |
| Amounts owed to parent company | 133,357 | 140,534 |
| | <u>159,292</u> | <u>1,260,357</u> |

10 Creditors: amounts falling after more than one year

| | 2020 £000 | 2019 £000 Restated* |
|---|------------------|---------------------------|
| Loan notes (see note 11) | 1,083,793 | - |
| Inflation swap held at fair value (through profit and loss) | 126,963 | 148,800 |
| Deferred tax liabilities (see note 12) | 157,125 | 136,293 |
| | <u>1,367,881</u> | <u>285,093</u> |

*Refer to note 19 for the prior year adjustment.

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:

| | 2020 £000 | 2019 £000 |
|------------------------------------|------------------|------------------|
| A Notes | 524,000 | 524,000 |
| B Notes | 460,950 | 460,950 |
| C Notes | 109,790 | 109,790 |
| Loan arrangement fees | (10,947) | - |
| Total interest-bearing debt | <u>1,083,793</u> | <u>1,094,740</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 18.

Notes (continued)

12 Deferred taxation

| | 2020 £000 | 2019 £000 Restated* |
|--|----------------|---------------------------|
| <i>Net deferred tax liabilities</i> | | |
| At beginning of year | 136,293 | 131,552 |
| (Credit)/charge to profit and loss for the year | 15,129 | (962) |
| Deferred tax impact of recycling of hedge reserve | 5,703 | 5,703 |
| At end of year | 157,125 | 136,293 |
| <i>The components of the net deferred tax balance were as follows:</i> | | |
| Temporary differences on financial instruments | (67,873) | (58,271) |
| On property gains | 224,998 | 197,611 |
| Tax losses | - | (3,047) |
| Net deferred tax liability | 157,125 | 136,293 |

*Refer to note 19 for prior year adjustment.

13 Called up share capital

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| <i>Allotted, issued and fully paid</i> | | |
| 17,047,399 (2019: 17,047,399) ordinary shares of £1 each | 17,047 | 17,047 |

14 Cash and Cash Equivalents

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Cash at bank and in hand per cash flow statement | 7,774 | 7,434 |

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 | |
|------------------------------|---------------|------------------------|------------------|------------------|
| | | | 2020 £000 | 2019 £000 |
| Limited price inflation swap | 30 June 2031 | 38,920 | (74,869) | (87,746) |
| Limited price inflation swap | 30 June 2031 | 27,080 | (52,094) | (61,054) |
| | | <u>66,000</u> | <u>(126,963)</u> | <u>(148,800)</u> |

16 Financial Instruments

Carrying Amount of Financial Instruments

| The carrying amount of the financial assets and liabilities include | 2020 £000 | 2019 £000 |
|---|--------------------|--------------------|
| Assets measured at amortised cost | 12,463 | 5,871 |
| Liabilities measured at fair value through profit and loss | (126,963) | (148,800) |
| Liabilities measured at amortised cost | <u>(1,417,889)</u> | <u>(1,424,214)</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. 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)*

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, 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 £108,507,810 (2019: £105,490,408). At the year-end, there was an amount owed to Limecay International Ltd. of £133,356,537 (2019: £140,534,298).

During the year, the Company made no charitable donations to related party charities (2019: £54.5m to a charity connected to an ultimate beneficial shareholder of the Company).

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.

19 Prior year adjustments

During 2020, the directors re-assessed the accounting in respect of the recognition of a deferred tax asset in relation to timing differences created by the corporate interest restriction that met the criteria for recognition in earlier periods and the recognition of a deferred tax asset in relation to tax losses not previously recognised. As the Company previously recognised a deferred tax liability on the revaluation of properties that may be realised, the restricted interest would be available to be offset against any such gain, allowing the recognition of a deferred tax asset. The Company also assessed that as at 31 December 2019, it had sufficient taxable profits to recognise the deferred tax asset on tax losses, not previously recognised. The 2019 financial statements have been restated to recognise the deferred tax asset by reducing net deferred tax liability as at 31 December 2019.

The impact of the adjustments was to decrease the net deferred tax liability as at 31 December 2019 by £27,564,000, reduce the tax charge by £8,829,000 for the year ended 31 December 2019 and increase opening profit and loss reserves by £18,735,000 as at 1 January 2019.