

Company Registration No: 11053343

BLACKTHORN GR LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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COMPANIES HOUSE

BLACKTHORN GR LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill
P A Hallam
M D Watson

SECRETARY

D T Lau

REGISTERED OFFICE

Berkeley House
304 Regents Park Road
London
N3 2JX

AUDITOR

RSM UK Audit LLP
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

BLACKTHORN GR LIMITED

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 2022.

Principal activity

The principal activity of the Company during the year was that of acting as a holding Company for subsidiary companies engaged in property investment. The principal activity of the Group during the period was that of property investment.

Results and dividends

The consolidated statement of comprehensive income is set out on page 8 and shows the results for the period from acquisition of the group's first subsidiary undertaking to period ended 31 December 2022. The group's loss for the period amounted to £23,592,313 (unaudited 2021: £Nil). The loss for the period is primarily caused by the decrease in fair value of the group's investment properties, which in turn is caused by an increase in risk free discount rates. The impact of risk free discount rate movements on investment properties is detailed further in note 7. The directors do not recommend the payment of a dividend for the current period and no dividend was paid in the prior period.

Business review and future developments

As more fully set out in note 18, in August 2022, the company acquired a number of property investment companies from related parties and from a third party.

The directors are satisfied with the financial position of the group and company at the year end.

The directors are mindful of the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 1.12 which potentially could lead to a significant adverse impact on the business. However, given the general uncertainty surrounding leasehold reform, the impact of building safety legislation and its effect on leaseholder behaviour referred to in that note, no adjustments have been made in the financial statements to reflect this.

Investment properties

The group's investment properties have been valued at £245,937,884 (unaudited 2021: £Nil). The fair value loss recorded in the statement of comprehensive income in the period amounted to £25,886,755 (unaudited 2021: £Nil). Details of the investment properties are set out in note 7.

Directors

The following directors have held office during the year and up until the point of signing the financial statements:

P A Hallam
W K Procter
C C McGill
M D Watson

BLACKTHORN GR LIMITED

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Insurance of Officers

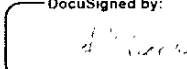
The group has maintained insurance throughout the period for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the group.

Auditor

The auditor, RSM UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. The directors have also taken the available exemption from the requirement to prepare a Strategic Report.

On behalf of the Board:

DocuSigned by:

970B064D6A94426
P A Hallam
Director

Date: 04 October 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKTHORN GR LIMITED

Opinion

We have audited the financial statements of Blackthorn GR Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Valuation of investment properties

We draw attention to the disclosures made in the accounting policies on page 16 and in note 7 to the financial statements concerning the carrying values of the group's investment properties. Investment properties are valued on an actuarial basis.

Investment properties totalling £245.9m (unaudited 2021: £Nil) are included in the financial statements at 31 December 2022 based on a valuation prepared by a firm of independent actuarial consultants at 31 December 2022 and taking account of the outcome of action taken by the Competition and Markets Authority and legislation substantively enacted at 31 December 2022.

As indicated in the notes, considerable volatility exists in these valuations. This is demonstrated by the decrease in total valuation of £25.9m in the current period when compared to the actuarial valuation as at 22 August 2022, being the date the properties came into the group, and as detailed in note 7 where the impact of changes in the underlying assumptions are detailed.

Additionally, as noted in the accounting policies, the directors also recognise, given the lack of a regular market for significant portfolios of such assets, that the carrying value of investment property would not be realised in full should the group seek to dispose of any or all of the properties.

Given the uncertainties relating to the volatility in the valuations and the wider impact of leasehold reform and changes to building safety legislation, the ultimate outcome of these matters cannot presently be determined, and no provision for any impairment in the carrying value of the investment properties that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKTHORN GR LIMITED (continued)

Emphasis of matter – contingent liabilities

We also draw attention to the disclosures in note 16, Contingent Liabilities, which details matters that could create additional liabilities in the future as a consequence of the Building Safety Act 2022. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

Other matter - prior period financial statements not audited

The company was exempt from audit in the year ended 31 December 2021 and consequently the corresponding figures are unaudited.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year and period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKTHORN GR LIMITED (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKTHORN GR LIMITED (continued)

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations and property laws and regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, evaluating advice received from tax advisors, reviewing client information with respect to ongoing legal matters, reviewing and monitoring government releases regarding leasehold reforms and Building Safety legislation. Potential changes to property laws and regulations and their impact on these financial statements are further discussed in the accounting policies on pages 18 to 20.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Colin Roberts FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3rd Floor, One London Square, Cross Lanes
Guildford
Surrey
GU1 1UN

Date: 05/10/23

BLACKTHORN GR LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

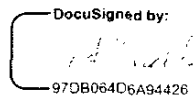
	Notes	2022 £	Unaudited 2021 £
Turnover	2	503,263	-
Administrative expenses		(488,800)	-
Operating Profit		<u>14,463</u>	<u>-</u>
Fair value loss on investment property	7	(25,886,755)	-
Interest payable and similar expenses	3	(4,564,110)	-
Loss before taxation	4	<u>(30,436,402)</u>	<u>-</u>
Taxation	6	6,844,089	-
Loss for the financial period		<u>(23,592,313)</u>	<u>-</u>

The results shown in the Consolidated Statement of Comprehensive Income cover the period from acquisition of the group's first trading subsidiary on 22 August 2022 to 31 December 2022.

BLACKTHORN GR LIMITED (Company Registration Number: 11053343)**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AT 31 DECEMBER 2022**

		2022	Unaudited
	Notes	£	2021
			£
Fixed assets			
Investment properties	7	245,937,884	-
Current assets			
Debtors	9	455,856	100
Cash at bank and in hand		27,168,015	-
		<u>27,623,871</u>	<u>100</u>
Creditors: amounts falling due within one year	10	(2,779,193)	-
Net current assets		<u>24,844,678</u>	<u>100</u>
Total assets less current liabilities		<u>270,782,562</u>	<u>100</u>
Creditors: amounts falling due in more than one year	11	(124,300,466)	-
Provisions for liabilities			
Deferred tax	12	(48,256,000)	-
Other provision	13	(145,738)	-
Net assets		<u>98,080,358</u>	<u>100</u>
Capital and reserves			
Called up share capital	14	100	100
Other reserve	14	121,672,571	-
Profit and loss account	14	(23,592,313)	-
Total equity		<u>98,080,358</u>	<u>100</u>

The financial statements and notes to the financial statements on pages 8 to 32 were approved by the board of directors and authorised for issue and are signed on its behalf by:

DocuSigned by:

 970B064D6A94426

P A Hallam
 Director

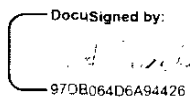
Date: 04 October 2023

BLACKTHORN GR LIMITED (Company Registration Number: 11053343)**COMPANY STATEMENT OF FINANCIAL POSITION****AT 31 DECEMBER 2022**

	Notes	2022 £	Unaudited 2021 £
Fixed assets			
Investments	8	131,931,549	-
Current assets			
Debtors due in more than one year	9	69,555,267	100
Cash at bank and in hand		27,168,015	-
		<u>96,723,282</u>	<u>100</u>
Creditors: amounts falling due within one year	10	(2,124,908)	-
Net current assets		<u>94,598,374</u>	<u>100</u>
Total assets less current liabilities		<u>226,529,923</u>	<u>100</u>
Creditors: amounts falling due in more than one year	11	(124,300,466)	-
Provisions for liabilities			
Deferred tax	12	(26,486,981)	-
Net assets		<u>75,742,476</u>	<u>100</u>
Capital and reserves			
Called up share capital	14	100	100
Revaluation reserve	14	79,460,943	-
Profit and Loss account	14	(3,718,567)	-
Total equity		<u>75,742,476</u>	<u>100</u>

The company's loss for the year and total comprehensive income for the year were £3,718,567 and £75,742,376 (unaudited 2021: £Nil and £Nil) respectively.

The financial statements and notes to the financial statements on pages 8 to 32 were approved by the board of directors and authorised for issue and are signed on its behalf by:

DocuSigned by:

 97DB064D6A94426

P A Hallam
 Director

Date: 04 October 2023

BLACKTHORN GR LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £	Profit and loss account £	Other reserve £	Total £
Balance at 1 January & 31 December 2021 (unaudited)	100	-	-	100
Loss for the period and total comprehensive income	-	(23,592,313)	-	(23,592,313)
Transactions with owners in their capacity as owners: Other reserves recognised on business combination	-	-	121,672,571	121,672,571
Balance at 31 December 2022	<u>100</u>	<u>(23,592,313)</u>	<u>121,672,571</u>	<u>98,080,358</u>

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	Profit and loss account £	Revaluation reserve £	Total £
Balance at 1 January & 31 December 2021 (unaudited)	100	-	-	100
Loss for the year	-	(3,718,567)	-	(3,718,567)
Other comprehensive income, net of tax:- Fair value gain on subsidiary investments	-	-	79,460,943	79,460,943
Balance at 31 December 2022	<u>100</u>	<u>(3,718,567)</u>	<u>79,460,943</u>	<u>75,742,476</u>

BLACKTHORN GR LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	Unaudited 2021 £
OPERATING ACTIVITIES			
Cash used in operations	15	(32,218,784)	-
NET CASH USED IN OPERATING ACTIVITIES		<u>(32,218,784)</u>	<u>-</u>
INVESTING ACTIVITIES			
Purchase of investment properties		(36,490,840)	-
Acquisition of subsidiaries		(25,983,625)	-
NET CASH USED IN INVESTING ACTIVITIES		<u>(62,474,465)</u>	<u>-</u>
FINANCING ACTIVITIES			
Proceeds from new bank loans		114,230,900	-
Proceeds from related party borrowings		7,630,364	-
NET CASH GENERATED BY FINANCING ACTIVITIES		<u>121,861,264</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		27,168,015	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>27,168,015</u>	<u>-</u>

All amounts shown in cash at bank and in hand are restricted, and payments are not able to be made without the prior approval of the secured lender.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies

Company information

Blackthorn GR Limited is a private company limited by shares, domiciled and incorporated in England. The address of the company's registered office and principal place of business is Berkeley House, 304 Regents Park Road, London, N3 2JX. The principal activity of the company during the year was that of acting as a holding company for subsidiary companies engaged in property investment.

1.1 Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention as modified to include the revaluation of investment properties and investments in subsidiaries.

1.2 Company reduced disclosure

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures;

1.3 Company statement of comprehensive income

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income. The company's loss and total comprehensive income for the year were £3,718,567 and £75,742,376 (unaudited 2021: £Nil and £Nil respectively).

1.4 Basis of consolidation

The consolidated financial statements include those of the company and its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired are consolidated using the acquisition method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2022.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus directly attributable costs.

BLACKTHORN GR LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****1.4 Basis of consolidation (continued)**

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Negative goodwill arises when the cost of a business combination is less than the fair value of the interest in the identifiable assets, liabilities and contingent liabilities acquired. Where negative goodwill arises as a result of a group reconstruction and where the merger accounting method is not permitted, the amount is recognised as an other reserve within equity on the basis that the gain is, in substance, a capital contribution and the directors consider that it would not be appropriate to recognise such a gain in the statement of comprehensive income.

1.5 Going concern

In preparing the accounts on the going concern basis the directors have given consideration to the group's and the company's results for the period and the group and the company's net asset position.

The directors have taken into account the enacted and potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 1.12 and believe that the group and company have adequate financial resources to continue as a going concern for a period of one year from the date of signing the financial statements. This is on the grounds that the group is a party to a 60 year fully amortising facility. There are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet debt service liabilities as they fall due for the twelve months from which these financial statements are approved.

In addition to the matters described above, in arriving at their conclusion the Directors have also considered Leasehold reform and Building Safety legislation:

Leasehold reform

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act came into force on 30 June 2022 for leases on non-retirement properties and on 1 April 2023 for leases on retirement properties. This legislation does not apply retrospectively although it does restrict the ability of the group to generate rental income beyond the existing term of current leases.

As such, the impact of preventing the creation of future ground rents under the Act is not expected, on its own, to have a material effect on the ability of the group, of which this company is a member, to meet its liabilities as they fall due for a reasonably foreseeable period.

Building Safety legislation

The Building Safety Act was given Royal Assent on 28 April 2022. The Act introduced the responsibility on the freeholder to fund the remediation of certain defects on relevant buildings should the original developer or other responsible party not be available to provide funding.

BLACKTHORN GR LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****1.5 Going concern (continued)**

On buildings over 11 metres in height the developer is expected to be primarily responsible for funding the necessary remediation. Where the original developer is not available to meet this funding requirement the Government will provide funding to ensure the needed remediation of the external wall systems on any affected buildings. In these cases the freeholder may now be primarily responsible for funding the remediation of any non-cladding fire safety related build defects with limited recourse to cost recovery from leaseholders.

It is not yet possible to establish the level of contribution that may be required by the group across its portfolio however it is expected that a risk based phasing of works will be required to ensure that both financial and non-financial resource will be available to successfully manage a programme of works. In addition, should this new requirement on the freeholder to fund the remediation of building defects create financial hardship for the group it will prevent the achievement of the Government's policy objectives to resolve the building safety crisis and further governmental measures will be needed.

The directors, having given consideration to the provisions of the Act and their potential impact on the group and the company do not believe that the Act will have a material effect on the group and company's ability to meet its liabilities as they fall due for a reasonably foreseeable period of time.

1.6 Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the group and company.

1.7 Turnover

Turnover comprises rent receivable and other income arising from investment properties.

Rental income is recognised in accordance with the terms of the lease. Inflationary uplifts to rental income are recognised when received. Non-inflationary uplifts are also recognised when received as the directors are of the opinion that to recognise the impact of those uplifts on a straight line basis over such long term leases (up to 999 years) would not give a true and fair view as the period between recognition and actual collection would be of sufficient length to cause uncertainty over the value to be collected.

Turnover is recognised at the fair value of the consideration received or receivable for rental income charged to external customers in the ordinary nature of the business. Turnover is shown net of value added tax.

BLACKTHORN GR LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****1.8 Investment properties**

The group's holding of freehold reversionary interests are classified as investment properties and are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available. Changes in fair value are recognised in the statement of comprehensive income.

These assets represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets generate income in the form of annual ground rents along with other ancillary fixed income streams.

Recognising the nature of these investment properties and the lack of a regular market for significant portfolios of such assets, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cash flow valuation of the income streams generated by these assets. All investment properties totalling £245.9m included in the financial statements at 31 December 2022 have been valued in the current year using an actuarial valuation performed by a leading firm of independent actuarial consultants.

The directors also recognise, given the lack of a regular market for such significant portfolios of assets, that these fair values would not be realised in full should the group seek to dispose of any or all of the investment properties.

Further details are given in note 7.

1.9 Investments

In the separate accounts of the company, investments in subsidiaries are initially measured at the cost of acquisition and subsequently measured at fair value. Changes in fair value are recognised in other comprehensive income.

The fair value of investments in subsidiary undertakings is measured having regard to the net asset value of those subsidiaries. The subsidiary undertakings are all investment property companies and the properties are valued in accordance with the accounting policy stated above and using assumptions and valuation methodologies as set out in note 7. The directors therefore believe this is a suitable approximation to fair value while recognising that these fair values would not be realised should the company seek to dispose of any or all of its investments.

1.10 Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the period. Taxable profit differs from profit before taxation because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

BLACKTHORN GR LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****1.10 Taxation (continued)**

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and profit before taxation that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allowed for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets*Debtors*

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

BLACKTHORN GR LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****1.11 Financial instruments (continued)***Equity instruments*

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.12 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

In preparing these financial statements, the directors have made estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investments

In the separate accounts of the company, the valuation of investments in subsidiaries is at fair value.

The valuation of investments in subsidiaries is inherently linked to the value of the underlying assets held by these subsidiaries. The valuation of these underlying assets is based on assumptions which may be affected by the potential changes in legislation discussed below, such that the underlying assumptions are no longer valid. The likelihood and impact of these legislative changes are too uncertain to enable the directors to reasonably estimate their impact on the asset valuation. Given this uncertainty, it is assumed that net asset value of the subsidiaries continues to represent the fair value of the investments held in subsidiaries holding these assets.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1.12 Critical accounting estimates and areas of judgement (continued)

Valuation of investment properties

A key accounting estimate in preparing these financial statements relates to the carrying value of the investment properties. In the current year an external professional actuarial valuation has been used as the basis for the fair value of the investment property. However, the valuation of the group's investment properties is inherently subjective, as it is made on the basis of valuation assumptions which may in future prove not to be accurate. The risk of which is heightened due to the enacted and further potential legislative changes noted below.

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act came into force on 30 June 2022 for leases on non-retirement properties and on 1 April 2023 for leases on retirement properties. This legislation does not apply retrospectively although it does restrict the ability of the group to generate rental income beyond the existing term of current leases as it impairs the ability of the freeholder and leaseholder to agree for the continuation of ground rent in the extension period when extending the lease beyond the current lease term. Due to the lack of data available it is not possible at this time to assess how this change in law will impact the proportion of leases that retain rent beyond a lease extension.

In addition to the enacted legislation the Government is expected to introduce further legislation that will affect the law governing leasehold enfranchisement and lease extensions. These changes, if enacted, are likely to reduce the group's future income arising from the premium received at the point of lease extension or enfranchisement. It could also increase incidence rates of enfranchisements and lease extensions and negatively impact the ongoing rental income. It is unclear at this time to what extent these changes could reduce the future cash flows of the group but it could have a material impact. These factors create uncertainty surrounding the calculation of the Fair Value of the assets.

The directors are of the view that the proposed changes, if introduced in total, would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors have engaged, and continue to engage, actively in consultations with Government, other stakeholders and interested parties in order to convey the company's opposition to the current reform agenda. Public announcements by government and in the Law Commission's report have recognised that any proposals to make wholesale reforms pose real problems with respect to the contravention of human rights legislation.

In addition, there is a potential impact arising from the Building Safety legislation enacted in 2022, see note 16 for further details.

An intrinsic element of the long-term forecasts is the continuing rental income and lease extension premiums generated by the property assets held by the group. The potential legislative changes raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

Similarly, the debt service requirements of the group are primarily dependent upon this continuing rental income and these potential legislative changes, if introduced in their current form, could affect the group's ability to meet its obligations in the long term.

The financial consequences of these enacted and potential changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on their forecasts, further details of which are given in note 16. It is assumed that the current methodology continues to represent a fair value of these assets.

Further details of the valuation of the investment property are set out in note 7.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1.12 Critical accounting estimates and areas of judgement (continued)

Current taxation

In arriving at the tax charge for the period the directors have been required to consider legislation introduced by HMRC in respect of Corporate Interest Restrictions and restrictions on the use of losses from 1 April 2017.

These rules are complex and may have a material impact on the group's tax charge. The assumptions made by the directors are as follows. The directors have assumed that a restriction arising from the corporate interest restriction calculation of £4.04m will be applied within the Blackthorn GR Limited group. Total interest restrictions of £4.04m have been made to date and are available to carry forward against future profits of the wider Euro Investments Overseas Incorporated group. No deferred tax asset has been recognised in respect of the restricted corporate interest due to uncertainty of recovery.

Furthermore, the directors have assumed that group relief of £27,390 will be available to claim in the Blackthorn GR Limited group from parties external to that group. This assumption is based on estimates made by entities in the wider Euro Investments Overseas Incorporated group.

Whilst the directors believe their assumptions to be reasonable, the complex nature of the rules and their impact on the wider Euro Investments Overseas Incorporated group could mean the assumptions prove to be inaccurate.

Deferred taxation

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

2. Turnover

An analysis of the group's turnover by class of business is as follows:

	2022	Unaudited 2021
	£	£
Rent receivable	417,515	-
Other operating income	85,748	-
	<u>503,263</u>	<u>-</u>

The total turnover of the group for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

BLACKTHORN GR LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022****3. Interest payable and similar expenses**

	2022	Unaudited
	£	2021
		£
Interest payable on secured loan	4,348,179	-
Related party interest payable	215,931	-
	<u>4,564,110</u>	<u>-</u>

4. Loss before taxation

	2022	Unaudited
	£	2021
		£
The loss before taxation is stated after charging:		
Auditor's remuneration:		
- Statutory audit of the company and consolidated accounts	156,000	-
	<u>156,000</u>	<u>-</u>

5. Employees

There were no employees of the group and company during the year other than the directors. The directors, who are also considered to be key management, are remunerated by the related party Fairhold Services Limited and this is recharged to the group as part of the management charge from Estates & Management Limited. This management charge which in 2022 amounted to £107,143 (unaudited 2021: £Nil) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the group and it is not possible to identify separately the amount relating to the directors' remuneration.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

6. Taxation

	2022 £	Unaudited 2021 £
Current tax		
Current taxation	-	-
Total current tax	-	-
Deferred tax:		
Movement on potential chargeable gain	(6,844,089)	-
Total deferred tax	(6,844,089)	-
Total tax credit on loss	(6,844,089)	-

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the effective rate of corporation tax in the UK of 19%. The differences are explained below:

	2022 £	Unaudited 2021 £
Loss before tax	(30,436,402)	-
Loss multiplied by the effective rate of corporation tax in the UK of 19% (unaudited 2021: 19%).	(5,782,916)	-
Effects of:		
Corporate interest restriction	767,886	-
Effect of movement in value of investment properties	4,918,483	-
Movements in deferred tax on investment properties	(6,844,089)	-
Other timing differences, incl. capital allowances	93,007	-
Group relief claim	3,540	-
Tax credit	(6,844,089)	-

In the prior period, the Finance Act 2021 was enacted and included legislation to increase the main rate of tax to 25% from 1 April 2023. As this change was substantively enacted at the balance sheet date, deferred tax has been recognised at 25% in the current period shown in these financial statements.

The group has estimated restricted corporate interest of £4.0m (2021 unaudited: £Nil), available to carry forward against future profits. No deferred tax asset has been recognised in respect of the restricted corporate interest restriction due to uncertainty of recovery.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

7. Investment properties

Freehold reversionary interests

	2022 £	Unaudited 2021 £
Fair Value		
As at 1 January (unaudited)	-	-
Additions on acquisitions of subsidiaries	235,333,799	-
Additions	36,490,840	-
Fair value loss	(25,886,755)	-
As at 31 December	245,937,884	-

The investment properties represent a portfolio of freehold reversionary interests that generate ground rents as the principal income stream. The fair value of these properties is calculated based on a discounted cash flow methodology which is reliant on the assumptions used to estimate the future cash flows (see note 1.8).

Investment properties totalling £245,937,884 (unaudited 2021: £Nil) are included in the financial statements at 31 December 2022 based on a valuation prepared by a firm of independent actuarial consultants at 31 December 2022 and taking into account the outcome of action taken by the Competition and Markets Authority and legislation substantively enacted at 31 December 2022. See note 13 for further details.

The basis of the independent valuation performed on an actuarial basis was to project risk adjusted income streams generated by the portfolio over 150 years discounted by a risk-free rate of return.

The principal assumptions used in the independent actuarial valuation were:

RPI basis for inflation assumptions	Implied inflation vector taken from the Bank of England website;
Residential property inflation	Derived from market rental yields as found in propertydata.co.uk and the UK Government gilt curve;
Risk free discount rate	A series of rates reflecting the UK government gilt yield curve as applicable to each cash flow date up to 40 years, with a fixed forward rate after 40 years;
Incidence rates for lease extensions and the price charged	Historic rates and FTT valuation. Proportion of ground rents retained post lease extension are based on recent experience. Where ground rents are retained post lease extension, ground rents are modelled over the original lease term only and assumed to be peppercorn thereafter;
Taxation	No allowance has been made for taxation in projecting the future revenue flow.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

7. Investment properties (continued)

The input to the model with the most significant impact on the valuation is the discount rate used. Per the 31 December 2022 actuarial valuations, on a group basis, a 50-basis point increase or decrease in this rate reduces or increases the valuation by 24% and 38% respectively.

If investment properties were stated on a historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	Freehold reversionary Interests	
	2022	Unaudited 2021
	£	£
Cost	69,508,911	-

The Group's investment property is subject to a debenture and charge in connection with a guarantee provided by the group in respect of the indebtedness of the holding company and other related parties (see note 17).

8. Investments

Company	Shares in subsidiary undertakings £
Fair value	
As at 1 January 2022 (unaudited)	-
Additions	25,983,626
Fair value gain	105,947,923
As at 31 December 2022	131,931,549

Investments are valued in accordance with the accounting policy stated in Note 1.9.

If investments were stated on a historical cost basis rather than a fair value basis the amounts would be included as follows:

	Shares in Subsidiary Undertakings	
	2022	Unaudited 2021
	£	£
Cost	25,983,626	-

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

8. Investments (continued)

The company holds a 100% interest in the ordinary share capital of the following entities:

Name	Nature of business	Company Registration No.
This is G2 Limited	Property investment	05861560
Iris GR Limited	Property investment	11054275
Twinleaf GR Limited	Property investment	11053433
Kamario Limited	Property investment	05741259
Worsley Investment Properties Limited	Property investment	09146193
Venus GR Limited	Property investment	11054046

The subsidiary undertakings are incorporated and have their place of business in England. Their registered office is Berkeley House, 304 Regents Park Road, London, N3 2JX.

The subsidiary undertakings shown above have taken the exemption in section 479A of the Companies Act 2006 (the Act) from the requirements in the Act for their individual accounts to be audited. The guarantee given by the company under section 479A of the Act is disclosed in note 17.

9. Debtors

	Group 2022 £	Company 2022 £	Unaudited Group 2021 £	Unaudited Company 2021 £
Amounts due within one year:				
Trade debtors	206,142	-	-	-
Prepayments and accrued income	12,335	-	-	-
Other debtors	237,379	-	100	100
	<u>455,856</u>	<u>-</u>	<u>100</u>	<u>100</u>
Amounts due after one year:				
Amounts owed by group undertakings	-	69,555,267	-	-
	<u>455,856</u>	<u>69,555,267</u>	<u>100</u>	<u>100</u>

The amounts owed by group undertakings are due for repayment five years after the termination date of the secured loan held by the company, being 2087. Interest is charged at the Barclays Bank Base Rate +2.5%.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

10. Creditors: amounts falling due within one year

	Group 2022 £	Company 2022 £	Unaudited Group 2021 £	Unaudited Company 2021 £
Secured loan	2,124,908	2,124,908	-	-
Corporation tax	760	-	-	-
Accruals and deferred income	653,525	-	-	-
	<u>2,779,193</u>	<u>2,124,908</u>	<u>-</u>	<u>-</u>

11. Creditors: amounts falling due in more than one year

	Group 2022 £	Company 2022 £	Unaudited Group 2021 £	Unaudited Company 2021 £
Secured loan	116,454,171	116,454,171	-	-
Amounts owed to related parties	7,846,295	7,846,295	-	-
	<u>124,300,466</u>	<u>124,300,466</u>	<u>-</u>	<u>-</u>

The loan is secured on the group's investment properties and is supported by unlimited guarantees given by the subsidiary undertakings who own those properties.

The loan and associated interest charges are repayable by annual instalments in January each year with the final instalment due for repayment in 2082. Instalments are calculated based on 98% of the forecast annual ground rents adjusted for realised RPI collected by the group. An effective interest rate is calculated to amortise the loan over its expected term of 60 years based on projected ground rent cash flows over the term of the loan. Based on current projections the effective interest rate is estimated at 3.81%.

The instalment payable in January 2023 of £2,124,908 is shown as an amount falling due within one year. The total cash payments expected to be made in years two to five are projected at £9,552,867 (unaudited 2021: £Nil).

The amounts due to related parties is due for repayment in 2087. Interest is charged at a fixed rate of 8%.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

12. Provisions for liabilities

Group	Deferred Tax £
1 January 2022 (unaudited)	-
Deferred tax arising on acquisition of investment properties	55,100,089
Credited to profit or loss	(6,844,089)
31 December 2022	48,256,000

Provision for deferred tax has been made as follows:

	2022 £	Unaudited 2021 £
Deferred tax on assets measured at fair value	48,256,000	-

Company

	Deferred Tax £
1 January 2022 (unaudited)	-
Charged to other comprehensive income	26,486,981
31 December 2022	26,486,981

Provision for deferred tax has been made as follows:

	2022 £	Unaudited 2021 £
Deferred tax on assets measured at fair value	26,486,981	-

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

13. Other provisions

	Other provisions £
As at 1 January 2022 (unaudited)	-
Provision on acquisition of subsidiaries	145,738
As at 31 December 2022	<u>145,738</u>

Conclusion of investigation by the Competition and Markets Authority

On 4 August 2022 the group agreed undertakings with the CMA that ended the CMA's investigation into the wider group. These undertakings restrict certain group companies' ability to charge uplift rents on certain leases and create obligations to refund certain rents and fund certain costs for the variation of leases, should a leaseholder choose to enter into such lease variation. The reduction in future rents has been assessed in the determination of the Fair Value of the relevant investment properties.

14. Share capital and reserves

Company share capital

	2022 £	Unaudited 2021 £
Allotted, issued and outstanding:		
100 (2021: 100) ordinary shares of £1	100	100

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

The refinancing agreement restricts Blackthorn GR Limited from paying dividends, redeeming any of its own share capital, or from repaying any subordinated debt without approval from the financiers.

Reserves

Reserves of the Group represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

Other reserve

Reserve arising as a result of the acquisition of a number of subsidiaries when the group was created.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

14. Share capital and reserves (continued)

Reserves of the Company represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

Revaluation reserve

Fair value gains on subsidiary investments net of deferred tax

15. Reconciliation of profit after tax to net cash used in operations

	Group 2022 £	Group 2021 £
Profit after tax	(23,592,313)	-
Adjustments for:		
Fair value losses on investment properties	25,886,755	-
Interest payable	4,564,110	-
Taxation	(6,844,089)	-
Operating cash flows before movements in working capital	14,463	-
Movement in debtors	(26,581)	-
Movement in creditors	(32,206,666)	-
Cash used in operations	(32,218,784)	-

Consolidated analysis of changes in net debt:

	Unaudited 1 January 2022 £	Non-Cashflow Movements £	Cashflows £	31 December 2022 £
Cash at bank and in hand	-	-	27,168,015	27,168,015
Debt due within 1 year:				
Secured Loans	-	(2,124,908)	-	(2,124,908)
Debt due after 1 year:				
Secured loans	-	(2,223,271)	(114,230,900)	(116,454,171)
Amounts owed to related parties	-	(215,931)	(7,630,364)	(7,846,295)
Net debt	-	(4,564,110)	(94,693,249)	(99,257,359)

BLACKTHORN GR LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Contingent Liabilities*Building Safety Act 2022*

The directors are currently assessing the potential impact of the Building Safety Act 2022, which received Royal Assent on 28 April 2022. Given the nature of the legislation (see note 1.5) and the lack of clarity at this time as to the extent that specific buildings may require funding it is not currently clear what the likely probability or quantum of any potential liability to fund the remediation of building defects would be. Therefore, no provision has been included in these financial statements.

17. Guarantees

The company and its subsidiaries have given an unlimited guarantee in respect of some of the indebtedness held in the Company's accounts. The guarantee is supported by a debenture and a charge over the group's property holdings. At 31 December 2022 the total amount outstanding subject to that guarantee was £118.6m (unaudited 2021: £Nil).

The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other participating group undertakings' unpaid debts in this connection.

Parental guarantee

In order for the subsidiary companies named in note 8 to take the audit exemption set out in section 479A of the Companies Act 2006, the company has guaranteed all outstanding liabilities of those subsidiary companies at 31 December 2022 until those liabilities are satisfied in full.

18. Acquisitions

On 22 August 2022, Blackthorn GR Limited acquired 100% of the issued share capital of all the subsidiary companies listed in note 8. The total cost of the acquisition of the comprised cash consideration was £25.98m payable on the acquisition date.

Consolidated turnover and consolidated loss after tax contributed by the subsidiary companies between the date of acquisition and 31 December 2022 amounted to £503,263 and £23.6m respectively.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

18. Acquisitions (continued)

The subsidiaries acquired in the period have been accounted for using the acquisition method of accounting. At 22 August 2022 (the 'acquisition date'), the assets and liabilities of the acquired subsidiaries were consolidated at their fair values to the Group, as set out below:

	Initial Book Value £	Fair value adjustment £	Fair value at date of acquisition £
Investment Property	69,607,097	165,726,702	235,333,799
Trade debtors	80,033	-	80,033
Other debtors	423,244	(74,042)	349,202
Total assets	70,110,374	165,652,660	235,763,034
Accruals	(142,338)	-	(142,338)
Other creditors	(32,864,410)	-	(32,864,410)
Deferred tax	(11,120,000)	(43,980,089)	(55,100,089)
Total liabilities	(44,126,748)	(43,980,089)	(88,106,837)
Net assets	25,983,626	121,672,571	147,656,197
Negative goodwill			(121,672,571)
Total consideration			25,983,626
Satisfied by:			
Cash			25,983,626

On acquisition a fair value adjustment was made to the investment properties to state them on the valuation basis disclosed in note 7 to the financial statements. As a consequence of the resulting increase in properties' fair values, a fair value adjustment was also made to the deferred tax provision.

BLACKTHORN GR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

19. Immediate parent company, ultimate parent company and ultimate controlling party

The company's immediate parent company is Arctic GR Limited, which is the largest group for which group accounts containing this Company are prepared. Arctic GR Limited is domiciled and incorporated in England. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

Prior to the acquisition of the company by Arctic GR Limited on 28 January 2022, the company was owned by Lightyear Estates Holdings Limited.

20. Related party transactions

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

At 31 December 2022 the group and company owed the following amounts to related parties related by virtue of common control and common directors:

	2022 £	Unaudited 2021 £
Mertola 7 Limited	7,846,295	-

The Mertola 7 balance was in a creditor position at 31 December 2022 and under the terms of the loan agreement, the company was charged interest by Mertola 7 of £215,931 (unaudited 2021: £Nil) on amounts outstanding during the year.

During the period, the group was charged management fees of £107,143 (unaudited 2021: £Nil) by Estates & Management Limited, a related party related by virtue of common control and common directors.

During the period, the company purchased investments in Iris GR Limited, Venus GR Limited, Kamario Limited, Twinleaf GR Limited and Worsley Investment Properties Limited from related party entities, by virtue of common control, for a total of £25,983,626.