

# **Noved Investment One Limited**

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 06391022



# **Noved Investment One Limited**

## **Company Information**

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<b>Directors</b>	A Wright A J Bhavsar
<b>Registered number</b>	06391022
<b>Registered office</b>	89 Wardour Street London W1F 0UB
<b>Independent auditors</b>	BDO LLP 55 Baker Street London W1U 7EU

# **Noved Investment One Limited**

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# **Noved Investment One Limited**

## **Directors' Report For the Year Ended 31 December 2019**

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The Directors present their annual report and the audited financial statements of Noved Investment One Limited (the "Company") for the year ended 31 December 2019.

### **Principal activity**

The principal activity of the Company is property investment in London.

### **Ultimate controlling parties**

The Company is ultimately controlled by Brockton Capital Fund III GP Limited, the General Partner of Brockton Capital Fund III (General Partner) LP, the General Partner of Brockton Capital Fund III LP.

### **Results and dividends**

The results for the year are shown in the Statement of Comprehensive Income on page 6.

The Directors do not recommend the payment of a dividend (2018: £Nil).

### **Director**

The Directors who served during the year and to the date of this report were:

A Wright  
A J Bhavsar

### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Independent auditors**

The auditors, BDO LLP, have expressed their willingness to continue in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on *22 June 2020* and signed on its behalf.

  
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**AMIT JAYPRAKASH BHAVSAR**

Director

# **Noved Investment One Limited**

## **Directors' Responsibilities Statement For the Year Ended 31 December 2019**

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The Directors are responsible for preparing the annual 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 prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. 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;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Noved Investment One Limited**

## **Independent Auditor's report to the members of Noved Investment One Limited**

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### **Opinion**

We have audited the financial statements of Noved Investment One Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

# **Noved Investment One Limited**

## **Independent Auditor's report to the members of Noved Investment One Limited**

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### **Opinion on financial statements**

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

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

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

# **Noved Investment One Limited**

## **Independent Auditor's report to the members of Noved Investment One Limited**

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### **Responsibilities of Directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website on: <https://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.

 BDO LLP

**Geraint Jones** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory auditor  
London, United Kingdom

**22 June 2020**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# Noved Investment One Limited

## Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Revenue	4	2,083,415	1,913,599
Other property operating expenses	6	3,765	(39,620)
		<hr/>	<hr/>
<b>Gross profit / (loss)</b>		<b>2,087,180</b>	<b>1,873,979</b>
Administrative expenses	7	(28,675)	(431,808)
Valuation gain / (loss) on investment property	11	203,180	8,743,872
		<hr/>	<hr/>
<b>Operating profit / (loss)</b>		<b>2,261,685</b>	<b>10,186,043</b>
Finance income	8	257	30,774
Finance costs	9	-	(171,791)
		<hr/>	<hr/>
<b>Profit / (loss) on ordinary activities before taxation</b>		<b>2,261,942</b>	<b>10,045,026</b>
Taxation on profit / (loss) on ordinary activities	10	(1,275,233)	(2,118,815)
		<hr/>	<hr/>
<b>Profit / (loss) and total comprehensive income / (loss) for the year</b>		<b>986,709</b>	<b>7,926,211</b>
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All results shown in the Statement of Comprehensive Income are from continuing operations.

All profit / (loss) and total comprehensive income / (loss) is attributable to the equity holders of the Company.

The notes on pages 11 to 28 form part of these financial statements.

# Noved Investment One Limited

Registered number:06391022

## Statement of Financial Position As at 31 December 2019

	Note	2019 £	2018 £
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property	11	53,100,000	51,400,000
		<u>53,100,000</u>	<u>51,400,000</u>
<b>Current assets</b>			
Trade and other receivables	13	3,000	9,660
Cash and cash equivalents		209,351	470,972
		<u>212,351</u>	<u>480,632</u>
<b>Total assets</b>		<u>53,312,351</u>	<u>51,880,632</u>
<b>Non-current liabilities</b>			
Deferred tax	15	6,026,517	4,849,006
		<u>6,026,517</u>	<u>4,849,006</u>
<b>Current liabilities</b>			
Trade and other payables	14	236,018	167,006
Intercompany loans	16	11,431,945	12,331,180
Income tax payable		97,722	-
		<u>11,765,685</u>	<u>12,498,186</u>
<b>Total liabilities</b>		<u>17,792,202</u>	<u>17,347,192</u>
<b>Net assets / (liabilities)</b>		<u>35,520,149</u>	<u>34,533,440</u>

**Noved Investment One Limited**  
Registered number:06391022

**Statement of Financial Position (continued)**  
**As at 31 December 2019**

	Note	2019 £	2018 £
<b>Equity attributable to equity holders of the Company</b>			
Share capital	19	11,501,150	11,501,150
Retained earnings		24,018,999	23,032,290
<b>Total equity</b>		<b>35,520,149</b>	<b>34,533,440</b>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on  
22 June 2020

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AMIT JAYPRAKASH BHAVSAR.

Director

The notes on pages 11 to 28 form part of these financial statements.

# Noved Investment One Limited

## Statement of Changes in Equity For the Year Ended 31 December 2019

	Share capital £	Retained earnings £	Total equity £
At 1 January 2019	11,501,150	23,032,290	34,533,440
<b>Comprehensive income / (loss) for the year</b>			
Profit / (loss) for the year	-	986,709	986,709
Other comprehensive income / (loss) for the year	-	-	-
<b>Total comprehensive income / (loss) for the year</b>	-	986,709	986,709
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2019</b>	<b>11,501,150</b>	<b>24,018,999</b>	<b>35,520,149</b>

## Statement of Changes in Equity For the Year Ended 31 December 2018

	Share capital £	Retained earnings £	Total equity £
At 1 January 2018 (as previously stated)	11,501,150	9,918,579	21,419,729
Prior year adjustment	-	5,187,500	5,187,500
At 1 January 2018 (as restated)	11,501,150	15,106,079	26,607,229
<b>Comprehensive income / (loss) for the year</b>			
Profit / (loss) for the year (as restated)	-	7,926,211	7,926,211
Other comprehensive income / (loss) for the year	-	-	-
<b>Total comprehensive income / (loss) for the year</b>	-	7,926,211	7,926,211
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2018</b>	<b>11,501,150</b>	<b>23,032,290</b>	<b>34,533,440</b>

The notes on pages 11 to 28 form part of these financial statements.

# Noved Investment One Limited

## Statement of Cash Flows For the Year Ended 31 December 2019

	2019 £	2018 £
<b>Cash flows from / (used in) operating activities</b>		
Profit / (loss) for the financial year	986,709	7,926,211
<b>Adjustments for:</b>		
Fair value adjustment on investment property	(203,180)	(8,743,872)
Amortisation of lease Incentives	(1,441,176)	(1,267,393)
(Gain) / loss on disposal of investment	-	97
Net change in fair value of financial instruments	-	(30,585)
Finance costs	-	171,791
Finance income	(257)	(189)
Taxation	1,275,233	2,118,815
Income tax paid	(1,177,511)	-
(Increase) / decrease in trade and other receivables	6,660	688,396
Increase / (decrease) in trade and other payables	1,246,522	(188,294)
<b>Net cash generated from / (used in) operating activities</b>	<b>693,000</b>	<b>674,977</b>
<b>Cash flows from / (used in) investing activities</b>		
Purchases of investment property	-	(138,735)
Subsequent expenditure on investment property	(55,643)	-
<b>Net cash generated from/ (used in) investing activities</b>	<b>(55,643)</b>	<b>(138,735)</b>
<b>Cash flows from / (used in) financing activities (note 17)</b>		
Loans received from / (repaid to) Group undertakings (net)	(899,235)	12,331,180
Repayment of external borrowings	-	(12,316,976)
Interest paid	-	(171,791)
Termination of interest rate hedging agreements	-	(91,866)
Interest received	257	189
<b>Net cash generated from / (used in) financing activities (note 17)</b>	<b>(898,978)</b>	<b>(249,264)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(261,621)</b>	<b>286,978</b>
Cash and cash equivalents at beginning of year	470,972	183,994
<b>Cash and cash equivalents at the end of year</b>	<b>209,351</b>	<b>470,972</b>

The notes on pages 11 to 28 form part of these financial statements.

# **Noved Investment One Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2019**

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### **1. General information**

The Company was incorporated on 5 October 2007 and is domiciled and registered as a limited company in England and Wales. It is a wholly owned subsidiary of CCR Holdings Limited, which is ultimately controlled by Brockton Capital Fund III LP, registered as a Limited Partnership in Guernsey.

### **2. Significant accounting policies**

These financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and also in accordance with IFRSs as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effects are disclosed in note 3.

The principal accounting policies adopted in these financial statements are set out below:

#### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared on the historical cost basis except for investment property which has been measured at fair value.

#### **2.2 Going concern**

The financial statements have been prepared on the going concern basis. After making enquiries and taking into consideration the profitability and net current liability position of the Company, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future based on the letter of financial support from Brockton Capital Fund III LP. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. In reaching this conclusion, the Directors have had particular regard to the potential impact of the coronavirus pandemic. As the Company does not have any external loans and borrowings and with the aforementioned letter of support from Brockton Capital Fund III LP, the Directors do not believe the pandemic to affect the Company's going concern status.

# **Noved Investment One Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2019**

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### **2. Significant accounting policies (continued)**

#### **2.3 Changes in accounting policy and disclosures**

##### **New and revised standards adopted by the EU that are mandatorily effective for the year ending 31 December 2019**

The following standards and amendments have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2019:

- IFRS 16: Leases
- IFRIC 23: Uncertainty over income tax treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures
- Annual Improvements to IFRSs (2015-2017 Cycle)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

##### *IFRS 16: Leases*

IFRS 16 replaced IAS 17 Leases and introduced a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments.

The Directors have given due consideration to the impact on the financial statements of IFRS 16 and have concluded that the adoption of the standard did not have a material impact on the financial statements at the date of initial application as the Company was not then, nor during the reporting periods, a lessee. The additional disclosures required for lessors under IFRS 16 have been included in note 5.

##### *Other standards and amendments*

The adoption of the remaining standard and amendments listed above did not have any impact on the financial statements of the Company for the current or any prior period and is not likely to affect future periods.

##### **New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2019**

The following standards and amendments have been adopted by the EU but are not mandatorily effective for the year ending 31 December 2019. Accordingly, they have not been applied in preparing these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of Material - Amendments to IAS 1 and IAS 8

The Company is continuing to assess the impact of the new standards above and at present is confident that none will have a material impact on the financial statements of the Company.

# **Noved Investment One Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2019**

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### **2. Significant accounting policies (continued)**

#### **Changes in accounting policy and disclosures (continued)**

##### **New and revised standards and interpretations issued by the IASB but not yet adopted by the EU**

A number of new standards and amendments to standards and interpretations have been issued by the IASB but have not yet been adopted by the EU. Accordingly, they have not been applied in preparing these financial statements:

- IFRS 17: Insurance contracts
- Amendments to IFRS 3 Business Combinations – Definition of a Business
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Company is assessing the impact of the new standards and interpretations above but none of these are expected to have a significant effect on the financial statements of the Company.

#### **2.4 Revenue**

Revenue comprises rental income, net of Value Added Tax, and is recognised on a straight line basis over the term of the lease.

Rental income arising from operating leases on investment property is accounted for on a straight line basis over the lease term and is included in revenue in the Statement of Comprehensive Income due to its operating nature, except for contingent rental income which is recognised when it arises.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the Statement of Comprehensive Income when the right to receive them arises.

#### **2.5 Investment property**

Investment property comprises completed property and property under construction or redevelopment that is held to earn rentals or for capital appreciation or both. Property held under an operating lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, investment property is stated at fair value.

Gains or losses arising from changes in the fair values are included in the Statement of Comprehensive Income in the year in which they arise, including any corresponding tax effect. For the purposes of these financial statements, in order to avoid double counting, the assessed carrying value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.



# **Noved Investment One Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2019**

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### **2. Significant accounting policies (continued)**

#### **Investment property (continued)**

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses on the retirement or disposal of investment property. Any gains or losses on de-recognition of the investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period's financial statements.

### **2.6 Financial assets and liabilities**

#### **Financial assets**

The Company classifies its financial assets into one of the categories set out below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

##### *Fair value through profit or loss*

The Company may from time to time use derivative financial instruments such as interest caps and swaps to hedge its interest rate risk. Where it does, in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value are classified as fair value through profit or loss. They are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Income in the finance income or costs line.

The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

The Company does not apply hedge accounting.

##### *Amortised cost*

The Company's financial assets measured at amortised cost in the Statement of Financial Position comprise trade and other receivables and cash and cash equivalents.

These assets arise principally from the leasing of property to tenants (e.g. tenant receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Impairment provisions for tenant receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the tenant receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for these receivables. For these receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other property costs in the Statement of Comprehensive Income. On confirmation that the tenant receivables will not be collected, the gross carrying value of the asset is written off against the associated provision.

# **Noved Investment One Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2019**

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### **2. Significant accounting policies (continued)**

#### **Financial assets and liabilities (continued)**

##### **Financial assets (continued)**

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

##### **Financial liabilities**

The Company classifies its financial liabilities as 'other financial liabilities'. The Company's accounting policy for other financial liabilities is outlined below.

Other financial liabilities include the following items:

- Bank borrowings, which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

### **2.7 Fair value estimations**

The Company measures certain non-financial assets such as investment property, at fair value at the end of each reporting year. In addition, the fair value of financial instruments measured at amortised cost is disclosed in the financial statements.

Fair value is the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants, acting in their economic best interest, at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

# **Noved Investment One Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2019**

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### **2. Significant accounting policies (continued)**

#### **Fair value estimations (continued)**

In determining fair value, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs significant to the fair value measurement as a whole. The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Inputs used in determining fair value measurement are categorised into different levels based on how observable the inputs used are:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

The fair value of investment properties is determined by using one of the following valuation techniques:

- Sales comparison approach: Properties valued using this approach take into account comparable properties in close proximity that are similar to the property valued which have been sold within the last year in an open and competitive market, and sold under typical market conditions. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per square metre/ft.
- Investment method: The investment method is used to value the properties which are let and producing income. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques. Within this method, there are two valuation approaches applied; direct capitalisation and discounted cash flow.

# **Noved Investment One Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2019**

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### **2. Significant accounting policies (continued)**

#### **Fair value estimations (continued)**

- Direct capitalisation approach (yield method): This method is based on the relationship between the rate of return an investor requires and net income that a property produces. The estimated rate of return (i.e. the capitalisation rate) is applied to the property's net operating income to form an estimate of the property's value. The most significant input into this valuation is the capitalisation rate which takes into account the actual location, size and quality of the property valued as well as the market data at the valuation date.
- Discounted cash flows ("DCF") approach: Under the DCF method, a property's fair value is estimated using the projection of a series of cash flows. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash inflows. The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, reletting, redevelopment, or refurbishment. In the case of investment properties, periodic cash flow is typically estimated as gross income less directly attributable property expenditure. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted. The cash flow projections are based on the following significant unobservable inputs including; future rental cash inflows, discount rates, estimated vacancy rates, maintenance costs, capitalisation rates and terminal value.
- Residual method: The residual method is used to value an investment property (currently or expected to be) under construction or re-development. In addition to the estimates and inputs used in the above methods, this valuation method also takes into account costs to complete including a reasonable profit margin and the completion dates.

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase in future rental values. An increase in the future rental income may be linked with higher costs. If the remaining lease term increases the yield may decrease.

### **2.8 Provisions**

Provisions are recognised when:

- The Company has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of economic resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

# **Noved Investment One Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2019**

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### **2. Significant accounting policies (continued)**

#### **2.9 Current and deferred tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case, the tax is also recognised in other comprehensive income or equity. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Statement of Financial Position.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Company is registered in the United Kingdom and during the reporting periods was subject to Corporation Tax at a weighted average rate of 19% (2018: 19%).

#### **2.10 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred. The Company does not capitalise borrowing costs on qualifying investment properties.

#### **2.11 Functional currency**

The Company's financial statements are presented in pounds sterling, the Company's functional currency, and are generally rounded to the nearest pound.

#### **2.12 Principles for the Statement of Cash Flows**

The Statement of Cash Flows has been drawn up according to the indirect method, separating the cash flows from operating activities, investing activities and financing activities (where applicable). The net result has been adjusted for amounts in the Statement of Comprehensive Income and movements in the Statement of Financial Position which have not resulted in cash income or expenditure in the year.

# Noved Investment One Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 3. Critical accounting estimates and judgements

The preparation of financial statements requires the use of critical judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and assumptions concerning the future, and the accounting results of those estimates will, by definition, rarely equal the related actual results. In particular, the estimation of the value of the investment property requires considerable judgement.

#### *i) Valuation of investment property*

The Directors have performed the valuation of the investment property. The valuation methodology is disclosed in note 2.7.

Any reasonable change in the above estimate is not expected to have a material impact on the financial statements.

### 4. Revenue

	2019 £	2018 £
Rental income	2,067,415	1,903,599
Other income	16,000	10,000
	<u>2,083,415</u>	<u>1,913,599</u>

All revenue in the current and preceding year arose within the United Kingdom.

### 5. Operating leases – Company as lessor

The Company has entered into a lease on its property. The commercial property lease has a remaining lease term of 18 years and includes clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2019 £	2018 £
Within 1 year	857,466	629,384
After 1 year, but not more than 5 years	8,139,726	6,617,260
More than 5 years	31,402,055	33,790,068
	<u>40,399,247</u>	<u>41,036,712</u>

# Noved Investment One Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 6. Other property operating expenses

	2019 £	2018 £
Repairs and maintenance	-	31,560
Property costs	(3,765)	8,060
	<u>(3,765)</u>	<u>39,620</u>

### 7. Administrative expenses

Operating profit / loss is stated after charging:

	2019 £	2018 £
Legal and professional fees	6,000	340,531
Travelling expenses	-	153
Sundry expenses	916	89
Bank charges	351	399
Accountancy fees	21,408	90,636
	<u>28,675</u>	<u>431,808</u>

### 8. Finance income

	2019 £	2018 £
Fair value gain on derivative instruments	-	30,585
Bank interest receivable	257	189
	<u>257</u>	<u>30,774</u>

### 9. Finance costs

	2019 £	2018 £
Bank loan interest payable	-	171,531
Other interest payable	-	260
	<u>-</u>	<u>171,791</u>

# Noved Investment One Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 10. Taxation

	2019 £	2018 £
<b>Corporation tax</b>		
Current tax on profits / losses for the year	97,722	-
<b>Deferred tax</b>		
Deferred tax charge for the year	1,177,511	2,118,815
<b>Taxation on profit on ordinary activities</b>	<u>1,275,233</u>	<u>2,118,815</u>

#### Factors affecting tax charge for the year

The tax on the Company's profit / (loss) differs from the theoretical amount that would arise using the tax rate applicable to profits / (losses) of the Company as follows:

	2019 £	2018 £
Profit / (loss) on ordinary activities before tax	<u>2,261,942</u>	<u>10,045,026</u>
Profit / (loss) on ordinary activities multiplied by the weighted average rate of Corporation Tax in the UK for the year of 19% (2018: 19%)	429,769	1,908,555
<b>Effects of:</b>		
Non-deductible expenditure	1,169	56,909
Temporary differences	1,027,542	317,750
Utilisation of tax losses brought forward	(183,247)	(164,399)
<b>Total tax charge for the year</b>	<u>1,275,233</u>	<u>2,118,815</u>

There are deferred tax balance of £6,026,517 as at 31 December 2019 (2018: £4,849,006) (note 15).



# Noved Investment One Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 11. Investment property

	2019 £	2018 £
At 1 January	51,400,000	41,250,000
Capitalised acquisition costs	-	138,735
Subsequent expenditure on investment property	55,643	-
Fair value gain / (loss) during the year	203,180	8,743,872
Lease incentives	1,441,177	1,267,393
<b>At 31 December</b>	<b>53,100,000</b>	<b>51,400,000</b>

Investment property consists of the freehold interest in 107-109 Charing Cross Road, a single-tenanted commercial property in Soho, London.

The fair value of investment property was determined using the direct capitalisation approach (yield method) under the accounting policy disclosed in note 2.7.

The fair value has been determined by the Directors.

The valuation model adopted is in accordance with the recommendations of the International Valuation Standards Committee and is consistent with the principles in IFRS 13. Investment property has been classified as Level 3 under the fair value hierarchy.

More information about the fair value measurement is set out in note 2.7.

### 12. Fair value measurement – investment property

The Directors determine the Company's valuation policies.

The investment advisor performs the internal valuation annually. Individuals performing the calculation hold relevant internationally recognised professional qualifications and are experienced in valuing property in the applicable location.

At each reporting date, the investment advisor analyses the movements in the property's value. For this analysis, the investment advisor verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts (e.g. rent amounts in rental contracts), market reports (e.g. market rent, cap rates in property market reports) and other relevant documents.

The property's change in fair value is also compared to evidence from relevant external sources (such as bank valuations, investment property database or other relevant benchmarks) to determine whether the change is reasonable.

#### *Highest and best use*

The current use of the property is considered the highest and best use.

# Noved Investment One Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### Fair value measurement – investment property (continued)

The significant assumptions made relating to the valuation at 31 December 2019 are set out below:

Class of property	Valuation technique	Key unobservable inputs
Retail	Direct capitalisation approach (Yield method)	Capitalisation rate 4.00%

### 13. Trade and other receivables

	2019 £	2018 £
Prepayments and accrued income	3,000	-
Other debtors	-	9,660
	<u>3,000</u>	<u>9,660</u>

### 14. Trade and other payables

	2019 £	2018 £
Trade payables	4,200	-
VAT payable	65,280	43,445
Accrued expenditure	7,635	19,715
Deferred income	158,903	103,846
	<u>236,018</u>	<u>167,006</u>

Trade payables are non-interest bearing and are normally settled on 30 day terms.

# Noved Investment One Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 15. Deferred taxation

	2019 £	2018 £
At beginning of year	4,849,006	2,730,191
Charged to profit or loss	1,177,511	2,118,815
<b>At end of year</b>	<b>6,026,517</b>	<b>4,849,006</b>

Deferred tax asset and liability amounts recognised as at 31 December 2019 are as follows:

	2019 £	2018 £
<b>Deferred tax assets</b>		
Derivatives	(22,857)	(23,859)
Tax losses	-	(163,958)
	<b>(22,857)</b>	<b>(187,817)</b>
<b>Deferred tax liabilities</b>		
Accelerated capital allowances	599,042	439,751
Investment property revaluations	5,450,332	4,597,072
	<b>6,049,374</b>	<b>5,036,823</b>
<b>Net deferred tax (assets) / liabilities</b>	<b>6,026,517</b>	<b>4,849,006</b>

### 16. Intercompany loans

			2019 £	2018 £
	Interest rate	Terms		
£14,000,000 Intercompany loan	0%	Payable on demand	<b>11,431,945</b>	12,331,180

On 20 April 2018, the Company entered into a loan agreement with its parent company, CCR Holdings Limited, based on the terms disclosed above.

# Noved Investment One Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 17. Note supporting statement of cash flows

	Interest bearing loans and borrowings £	Intercompany loans (Note 16) £	Interest rate hedges £	Total £
At 1 January 2018	(12,316,976)	-	(122,451)	(12,439,427)
Cash flows	12,316,976	(12,331,180)	91,866	77,662
Fair value movements	-	-	30,585	30,585
<b>At 31 December 2018</b>	<b>-</b>	<b>(12,331,180)</b>	<b>-</b>	<b>(12,331,180)</b>
Cash flows	-	899,235	-	899,235
<b>At 31 December 2019</b>	<b>-</b>	<b>(11,431,945)</b>	<b>-</b>	<b>(11,431,945)</b>

### 18. Financial risk management objectives and policies

The Company's principal financial liabilities comprise intercompany loans and trade and other payables. The main purpose of the Company's intercompany loans is to finance the acquisition, maintenance and improvement of the Company's property. The Company has various financial assets such as other receivables and cash and short-term deposits that arise directly from its operations.

The Board of Directors reviews and agrees policies for managing each of the following risks which are summarised below:

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks in the reporting periods arises from open positions in interest-bearing assets and liabilities, to the extent that these positions were exposed to general and specific market movements. Management sets limits on the exposure to interest rate risk that may be accepted, which are monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

During the reporting periods the Company was exposed to price risk other than in respect of financial instruments, such as property price risk (which includes property rentals risk when the property is available for let). The Company was exposed to the risk that the revenue from properties may be adversely affected by the general economic climate, local conditions such as oversupply of properties or a reduction in demand for properties in the market in which the Company operates, the attractiveness of the properties to tenants, the quality of the property management, competition from other available properties and increased operating costs (including real estate taxes). The Company manages the risk by monitoring the indicators of market direction and forward planning of investment decisions; where possible, selection of a large and diversified tenant base; review of tenant covenants before new leases are signed; long-term leases and active credit control process; good relationships with tenants and property managers and active asset management of the properties to control the operating costs and ensure their continuing attractiveness to the market and existing tenants.

# Noved Investment One Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### Financial risk management objectives and policies (continued)

#### Market risk (continued)

The Company does not have any exposure to foreign currencies and therefore is not exposed to foreign exchange risk.

The Company is not exposed to commodity or security price risk.

#### Interest rate risk

The Company is not exposed to interest rate risk on its intercompany loans (note 16).

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company has no significant concentrations of credit risk. During the reporting periods the Company was exposed to credit risks from both its leasing activities and financing activities, including deposits held with banks and financial institutions. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties.

The Company manages credit risk by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. Cash balances are held and derivatives are agreed only with financial institutions with high credit ratings. The Company has policies that limit the amount of credit exposure to any financial institution. The utilisation of credit limits is regularly monitored.

#### Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted cash flows:

#### Financial assets

	On demand £	< 1 year £	1 to 5 years £	> 5 years £	Total £
<b>Year ended 31 December 2019</b>					
Cash and cash equivalents	209,351	-	-	-	209,351
<b>Total assets</b>	<b>209,351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209,351</b>

# Noved Investment One Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### Financial risk management objectives and policies (continued)

#### Financial liabilities

	On demand £	< 1 year £	1 to 5 years £	> 5 years £	Total £
<b>Year ended 31 December 2019</b>					
Trade and other payables	-	11,835	-	-	11,835
Intercompany loans	11,431,945	-	-	-	11,431,945
<b>Total liabilities</b>	<b>11,431,945</b>	<b>11,835</b>	<b>-</b>	<b>-</b>	<b>11,443,780</b>

#### Financial assets

	On demand £	< 1 year £	1 to 5 years £	> 5 years £	Total £
<b>Year ended 31 December 2018</b>					
Trade and other receivables	-	9,660	-	-	9,660
Cash and cash equivalents	470,972	-	-	-	470,972
<b>Total assets</b>	<b>470,972</b>	<b>9,660</b>	<b>-</b>	<b>-</b>	<b>480,632</b>

#### Financial liabilities

	On demand £	< 1 year £	1 to 5 years £	> 5 years £	Total £
<b>Year ended 31 December 2018</b>					
Trade and other payables	-	19,715	-	-	19,715
Intercompany loans	12,331,180	-	-	-	12,331,180
<b>Total liabilities</b>	<b>12,331,180</b>	<b>19,715</b>	<b>-</b>	<b>-</b>	<b>12,350,895</b>

The Directors have assessed that the carrying values of the Company's financial instruments approximate to their fair values.

# Noved Investment One Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 19. Share capital

	2019 £	2018 £
<b>Authorised, issued and fully paid</b>		
11,501,150 Ordinary shares of £1 each	<u>11,501,150</u>	<u>11,501,150</u>

### 20. Reserves

A description of the Company's reserves is as follows:

The share capital reserve represents the nominal value of the shares issued.

The retained earnings reserve represents cumulative profit and losses, net of dividends paid and other adjustments.

### 21. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Included in intercompany loans (note 16) is the loan received from the parent entity, which the Company considers subordinated to all the liabilities and manages it as capital.

The Directors monitor capital on the basis of the net assets attributable to the owners of the parent.

### 22. Related party transactions

CCR Holdings Limited, a Guernsey registered limited company, is the immediate parent and sole owner of the issued share capital of the Company.

Other transactions and balances with the related parties during the year and as at Statement of Financial Position date, respectively, have been disclosed in note 16.

### 23. Ultimate parent undertaking and controlling party

In the opinion of the Directors the ultimate parent undertaking and controlling party is Brockton Capital Fund III GP Limited, the General Partner of Brockton Capital Fund III (General Partner) LP, the General Partner of Brockton Capital Fund III LP.