

Company Number: 07225015

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

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ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

INCORPORATION

Adriatic Land 1 (GR4) Limited (formerly UK Ground Rent Estates (2) Limited), ("the Company") was incorporated in the United Kingdom under the laws of England and Wales on 15 April 2010.

ACTIVITIES

The principal activity of the Company is property investment.

RESULTS AND DIVIDENDS

The results for the year are shown on page 5. The Directors do not recommend the payment of a dividend for the year (2013: £nil).

DIRECTORS

The Directors who held office during the year and up to the date of approval of the financial statements were:-

I.R Baggett	(Resigned 4 October 2013)
J. Mackay	(Resigned 4 October 2013)
J.S Aumonier	(Appointed 4 October 2013, Resigned 29 November 2013)
The Hon W.W Astor	(Appointed 4 October 2013, Resigned 29 November 2013)
J.C Bingham	(Appointed 29 November 2013)
M.C Schnaier	(Appointed 29 November 2013)

REGISTERED OFFICE

(From 31 March 2014)	(Up to 29 November 2013)
2nd Floor Pollen House	5 Mailing Court
10 Cork Street	Union Street
London	Newcastle Upon Tyne
W1S 3NP	NE2 1BP

COMPANY SECRETARY

Sanne Group Secretaries (UK) Limited were appointed as Company Secretary from 29 November 2013. Up to 29 November 2013 the Company Secretary was T. Clark.

INDEPENDENT AUDITORS

PricewaterhouseCoopers were appointed as auditors during the period and have expressed their willingness to continue in office.

DIRECTORS' CONFIRMATION

Each of the Directors who was a Director at the time when this report is approved confirms that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and the Company's auditors for that purpose, in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report has been prepared in accordance with the small companies regime of the Companies Act 2006.

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

REPORT OF THE DIRECTORS - (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare financial statements for each financial year under the Companies Act 2006. As permitted by that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as endorsed for use in the European Union (IFRSs). The financial statements are required to give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

However, Directors are also required to:

- * properly select and apply accounting policies;
- * present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- * provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- * make an assessment of the Company's ability to continue as a going concern.

The Directors are also responsible for keeping proper accounting records that are sufficient to show and explain its transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

The Directors confirm they have complied with the above requirements throughout the period and subsequently.

Financial risk management

The Directors have considered the financial risk factors and mitigations identified and disclosed in note 3 of the financial statements.

BY ORDER OF THE BOARD



Authorised Signatory, **JASON BINGHAM**

Director

Date: 21/01/2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADRIATIC LAND 1 (GR4) LIMITED

We have audited the financial statements of Adriatic Land 1 (GR4) Limited for the year ended 31 March 2014 which comprise the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflows and the related notes. 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its results and cash flows 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Declan Murphy (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
23 January 2015

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

(EXPRESSED IN BRITISH POUNDS)

		<u>1 Apr 2013</u>	<u>1 Apr 2012</u>
		<u>to</u>	<u>to</u>
	<u>Notes</u>	<u>31 Mar 2014</u>	<u>31 Mar 2013</u>
		£'000	£'000
INCOME			
Turnover	2	299	417
Income from shares in group undertakings		-	1
Income from other fixed asset investments		-	32
Gain on disposal of investment in group undertaking	6	434	-
Gain on revaluation of investment property	5	2,415	-
Cost of sales		-	(209)
NET INCOME		3,148	241
EXPENSES			
Administrative expenses		(107)	(32)
OPERATING PROFIT		3,041	209
FINANCE COSTS			
Interest income		16	4
Interest expense		(135)	(185)
PROFIT BEFORE TAX		2,922	28
Corporation tax (expense)/credit	10	(154)	11
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,768	39

(The notes on pages 9 to 18 form part of these audited financial statements)

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

STATEMENT OF FINANCIAL POSITION


AS AT 31 MARCH 2014

(EXPRESSED IN BRITISH POUNDS)

	<u>Notes</u>	31 March 2014 £'000	31 March 2013 £'000	1 April 2012 £'000
ASSETS				
Non-current assets				
Investment properties	5	5,739	3,324	3,324
Investment in group undertaking	6	-	125	125
Receivables	7	-	1,059	536
		<u>5,739</u>	<u>4,508</u>	<u>3,985</u>
Current assets				
Receivables	7	146	255	262
Cash and cash equivalents		172	32	8
		<u>318</u>	<u>287</u>	<u>270</u>
TOTAL ASSETS		<u>6,057</u>	<u>4,795</u>	<u>4,255</u>
LIABILITIES AND EQUITY				
Current liabilities				
Payables	8	610	837	760
Non-current liabilities				
Loans and other payables	9	2,070	3,349	2,925
TOTAL LIABILITIES		<u>2,680</u>	<u>4,186</u>	<u>3,685</u>
Equity				
Share capital	11	-	-	-
Retained earnings		3,377	609	570
TOTAL EQUITY		<u>3,377</u>	<u>609</u>	<u>570</u>
TOTAL LIABILITIES AND EQUITY		<u>6,057</u>	<u>4,795</u>	<u>4,255</u>

The financial statements were approved and authorised for issue by the Board of Directors on the 21 day of January 2015 and were signed on its behalf by:

Director:


JASON BINGHAM

(The notes on pages 9 to 18 form part of these audited financial statements)

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2014

(EXPRESSED IN BRITISH POUNDS)

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
Balance at 31 March 2012	-	570	570
Total profit for the year	-	39	39
Balance at 31 March 2013	-	609	609
Total profit for the year	-	2,768	2,768
Balance at 31 March 2014	-	3,377	3,377

A reconciliation of the movements on reserves which took place upon the adoption of IFRSs, from UK GAAP on 1 April 2012 is presented in note 4.

(The notes on pages 9 to 18 form part of these audited financial statements)

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2014

(EXPRESSED IN BRITISH POUNDS)

	<u>1 Apr 2013</u> <u>to</u> <u>31 Mar 2014</u>	<u>1 Apr 2012</u> <u>to</u> <u>31 Mar 2013</u>
	£'000	£'000
Cash flows from operating activities		
Total profit for the year	2,768	39
Adjustments for:		
Unrealised (gain) on revaluation of investment property	(2,415)	-
Gain on disposal of investment in group undertaking	(434)	-
Changes in working capital:		
Decrease/(increase) in receivables	108	(517)
(Decrease)/increase in payables	(54)	78
Net cash used in operating activities	<u>(27)</u>	<u>(400)</u>
Cash flows generated from investing activities		
Net proceeds from disposal of investment in group undertaking	559	-
Proceeds from long-term receivables	1,059	-
Net cash generated from investing activities	<u>1,618</u>	<u>-</u>
Cash flows from financing activities		
Net (repayment of)/proceeds from borrowings	(1,451)	424
Net cash (used in)/generated from financing activities	<u>(1,451)</u>	<u>424</u>
Net increase in cash and cash equivalents	140	24
Cash and cash equivalents at the beginning of the year	32	8
Cash and cash equivalents at the end of the year	<u>172</u>	<u>32</u>

(The notes on pages 9 to 18 form part of these audited financial statements)

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

1. GENERAL INFORMATION

Adriatic Land 1 (GR4) Limited (formerly UK Ground Rent Estates (2) Limited), (the "Company") was incorporated in the United Kingdom under the laws of England and Wales on 15 April 2010.

The principal activity of the Company is property investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

The Company has prepared these financial statements which comply with International Financial Reporting Standards as endorsed by the European Union (IFRSs) applicable for periods ending on or after 31 March 2014, together with the comparative period data as at and for the year ended 31 March 2013, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 April 2012, the Company's date of transition to IFRSs.

Note 4 explains the principal adjustments made by the Company in restating its United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006 financial statements, including the statement of financial position as at 1 April 2012 and the financial statements as at and for the year ended 31 March 2013.

The more significant policies are set out below:

New and amended standards adopted by the Company

The following new standards and amendments relevant to the Company, became effective in the current year:

IAS 1 Presentation of Financial Statements (amendments)

The Company has adopted the amendments to IAS 1 presentation of financial statements for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory. Under the amendments to IAS 1, the 'Statement of Comprehensive Income' is renamed as the 'Statement of Profit or Loss and Other Comprehensive Income'. The amendment retains the option to present profit or loss and other comprehensive income in either a single statement or two separate but consecutive statements. However the amendments require that items of other comprehensive income be grouped into two categories in the other comprehensive income section: a) items that will not be reclassified subsequently to profit or loss and b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentational changes, the application of the amendments of IAS 1 does not result in any impact on the profit or loss and other comprehensive income.

IFRS 13 Fair value measurements

The Company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements. The scope of IFRS 13 is broad and applies to both financial instruments and non-financial instrument items, for which other IFRSs require or permit fair value measurements or disclosures, except share based payment transactions (IFRS 2), leasing transactions (IAS 17) and measurements that have similarities to fair value but are not fair value. IFRS 13 requires prospective application for periods beginning on or after 1 January 2013. Other than additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the Statement of Financial Position.

Except as noted above, in the opinion of the Directors, there are no other mandatory New Accounting Requirements applicable in the current year that have any bearing on the operating activities and disclosures of the Company.

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
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NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company

IFRS 9, "Financial Instruments" (Replacement of IAS 39 - "Financial Instruments: Recognition and Measurement")

The complete IFRS 9 standard was issued in July 2014. The standard addresses the recognition, classification and measurement of financial assets and financial liabilities, including impairment and hedge accounting. Upon adoption, IFRS 9 will replace IAS 39 in its entirety.

IFRS 9 requires financial assets to be classified into two measurement categories: (i) those measured at fair value; and (ii) those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The new standard replaces the incurred loss impairment model applicable under IAS 39 with an expected loss impairment model.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 also introduces a substantially reformed model for hedge accounting with enhanced disclosures about risk management activity. IFRS 9 is effective for accounting periods commencing on or after 1st January 2018. Whilst early adoption is permitted at any time prior to this date, the new standard has yet to be endorsed by the European Union. The Company intends to adopt IFRS 9 no later than the mandatory effective date. In the Directors' opinion, early adoption of IFRS 9 would have no material impact on the recognition, measurement or disclosures relating to its financial instruments.

Going concern

As at 31 March 2014 the Directors believe that the Company has adequate resources to continue in operational existence, this conclusion has been reached based on reviews conducted in relation to the future performance and cash flow forecasts for the foreseeable future. Accordingly, the Directors deem the going concern basis to be appropriate in preparing these financial statements.

Income and Cash flow statements

The Company presents its Statement of Profit or Loss and Other Comprehensive Income by nature of expense.

The Company reports Cash Flows using the indirect method.

The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Company's business activities.

Investment property

Investment property comprises property that is not occupied by the Company and is held to earn rental income, or for capital appreciation, or both. The Directors have elected to adopt the "fair value model" as defined under IAS 40 (Investment Property). Property held under a lease is classified as investment property when the definition of an investment property is met.

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Investment property - (continued)

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent expenditure is charged to an investment property's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the expenditure can be reliably measured. All other repairs and maintenance costs are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

Subsequent to initial recognition, investment property is stated at fair value. The investment property held relates to reversionary interests in freehold land and have been valued based upon a discounted cash flow model. This is a change in accounting estimate compared to the prior year. At 31 March 2013 the investment property fair value was estimated by the directors based on open market value.

Gains or losses arising from changes in the fair values are included in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they arise.

Cash and cash equivalents

For the purposes of these financial statements, cash comprises cash in hand and demand deposits while cash equivalents are short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Receivables

Receivables are recognised initially at fair value plus transaction costs and are subsequently measured at amortised cost. Given the nature of the receivables, however, and the short time involved between their origination and settlement, their amortised cost is the same as their fair value at the date of origination.

Payables

Payables are recognised initially at fair value plus transaction costs and are subsequently measured at amortised cost. Given the nature of the payables, however, and the short time involved between their origination and settlement, their amortised cost is the same as their fair value at the date of origination.

Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates; its functional currency. As all investments held by the Company and financing received by the Company are in British Pounds (GBP), this is considered to be the functional currency of the Company.

Monetary assets and liabilities are translated into GBP at the rate of exchange ruling at the Statement of Financial Position date. Foreign exchange gains or losses resulting from settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised by the Company in the Statement of Profit or Loss and Other Comprehensive Income.

The financial statements of the Company are presented in GBP.

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amount of the investment property asset. Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The investment property has been valued using a discounted cash flow model. Periodic valuations are undertaken by the directors, and in assessing the periodic valuation, the methodology is to estimate future cash flows discounted to their present value over an estimated useful economic life, using pre-tax discount rates that reflect the current market assessment of the time value of money and the risks specific to the asset. By necessity a valuation requires subjective judgements that, even if logical and appropriate may differ from those made by a purchaser, or another party undertaking a valuation. With respect to the methodology adopted judgements and estimates have been used primarily in estimating an appropriate discount rate. At 31 March 2013 the investment property fair value was estimated by the directors based on open market value.

The investment property assets held relate to reversionary interests in freehold land. As such, these assets are in substance like financial investments as they generate income in the form of annual ground rents and other ancillary income streams.

The Company's investment properties are stated without adjustment at the value calculated by the discounted cash flow methodology. The Directors are satisfied that this is the best available estimate of the fair value of the Company's investment property as at 31 March 2014.

Turnover

Turnover represents the value of ground rental income receivable for the year on an accruals basis. Turnover arises solely within the United Kingdom.

3. FINANCIAL RISK FACTORS

The Directors carry out the risk management function in respect of financial risks within the Company. Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The Company's financial assets and financial liabilities comprise cash and cash equivalents, trade and other receivables, trade payables and borrowings that arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The Directors review and agree policies for managing its risk exposure. These policies are described below and have remained unchanged for the year under review.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk through its investment properties, as in the event of default by an occupational tenant in the property, the Company would suffer a rental income shortfall. The Directors believe that the Company does not have a concentration of credit risk as the Investment Property portfolio comprises 1,102 units let to different tenants.

Cash risk is mitigated as cash and cash equivalents are held with reputable institutions, Royal Bank of Scotland International (RBSI), Coutts & Co and Barclays.

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
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NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

3. FINANCIAL RISK FACTORS - (CONTINUED)

a) Credit risk - (continued)

The Company's maximum exposure to credit risk by class of financial asset is as follows:

	<u>2014</u>	<u>2013</u>
	£'000	£'000
Trade and other receivables	146	1,314
Cash and cash equivalents	172	32
	<u>318</u>	<u>1,346</u>

The fair value of cash and cash equivalents and trade and other receivables at 31 March 2014 and 31 March 2013 approximates the carrying value. Further details regarding trade and other receivables can be found in note 7. Cash risk is mitigated as cash and cash equivalents are held with reputable institutions (Royal Bank of Scotland - RBSI, Coutts & Co and Barclays). Trade and other receivables are fully recoverable.

Ground rents provide long term, stable rated income and failure to pay can lead to forfeiture of the tenants' long lease and a windfall gain to the freeholder. The Company has policies in place to monitor the credit quality of receivables on an on-going basis.

There is no credit risk associated with the Company's financial liabilities.

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities.

The Company's liquidity position is reviewed on a quarterly basis by the Directors.

The Company's investments comprise only of investment property assets that relate to reversionary interests in freehold land. Property and property related assets are inherently difficult to value. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date.

The table below summarises the Company's exposure to liquidity risk:

	<u>2014</u>	<u>2013</u>
	£'000	£'000
Financial assets - due within one year		
Trade and other receivables	146	255
Cash and cash equivalents	172	32
	<u>318</u>	<u>287</u>
Financial liabilities - due within one year		
Trade and other payables and loans due on demand	<u>(610)</u>	<u>(837)</u>

As described below the Company has the benefit of a confirmation from its parent company that the loan payable will not be demanded for repayment within 12 months from the date of approval of these financial statements.

ADRIATIC LAND 1 (GR4) LIMITED
(FORMERLY UK GROUND RENT ESTATES (2) LIMITED)
(Company Number: 07225015)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

3. FINANCIAL RISK FACTORS - (CONTINUED)

c) Foreign exchange risk

The Company has no significant exposure to foreign currency risk as at 31 March 2014 and 31 March 2013.

d) Price risk

The Company is not exposed to market risk with respect to financial instruments as it does not hold any marketable financial instruments.

The Company is indirectly exposed to property price and property rental risk. Further details regarding the valuation of Investment Property are provided in note 2 accounting policies under the heading "Investment property" and note 5.

e) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets.

The Company has entered into a fixed rate loan payable to its parent company, with interest payable at a rate of 4.7% per annum. The Company is exposed to cash flow risk to the extent that the rental income received from the tenant is not sufficient to meet the loan interest obligations. For the current period, the rental income is in excess of the loan interest obligations. The loan payable to the parent company is repayable on demand, however the Company has received confirmation that repayment will not be demanded for a period of at least 12 months from the date of approval of these financial statements. Accordingly the Directors believe that the cash flow risk is being managed.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

f) Sensitivity analysis

IFRS 7 requires disclosure of 'sensitivity analysis' for each type of market risk to which the entity is exposed to at the reporting date, showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date. See note 5 for sensitivity analysis on investment properties.

The Company does not have significant variable exposure to interest rate, liquidity, price or foreign exchange risk and therefore no sensitivity analysis for these risks has been disclosed.

4. ADOPTION OF IFRSs

The Company, with effect from 1 April 2012 has elected to prepare the financial statements in compliance with International Financial Reporting Standards as endorsed by the European Union (IFRSs).

The effect of the conversion from UK GAAP to IFRSs for the Company, is limited to the treatment of the revaluation of investment property. Under UK GAAP the revaluation gain was transferred to the Revaluation Reserve and presented within a Statement of Total Recognised Gains and Losses. Under IFRSs the revaluation gain is presented within the Statement of Profit or Loss and Other Comprehensive Income.

ADRIATIC LAND 1 (GR4) LIMITED
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(Company Number: 07225015)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

4. ADOPTION OF IFRSs - (CONTINUED)

The table below sets out the opening adjustment made:

	Profit & Loss Account (UK GAAP) £'000	Revaluation Reserve (UK GAAP) £'000	Retained Earnings (IFRSs) £'000	Total £'000
Reserves at 31 March 2012 (under UK GAAP)	(13)	583	-	570
Transfer to Retained Earnings	13	(583)	570	-
Reserves at 1 April 2012 (IFRSs)	-	-	570	570

5. INVESTMENT PROPERTY

	2014 £'000	2013 £'000
Freehold land		
Cost at the start and end of the year	2,741	2,741
Unrealised appreciation on the revaluation of investments at the start of the year	583	583
Revaluation gain during the year	2,415	-
Unrealised appreciation on the revaluation of investments at the end of the year	2,998	583
Fair Value	5,739	3,324

The Company's investment property comprises 1,102 units and was revalued on 31 March 2014 to £5,739,000 (2013: £3,324,000). The investment property held comprises a portfolio of reversionary interests in freehold land. At 31 March 2014 the fair value has been estimated with reference to a valuation based upon a discounted cash flow model, which will also be the basis for future fair value estimates. The investment properties were valued by the directors as at 31 March 2013 based on open market value.

At 31 March 2014, the valuation has been determined using the income approach, comprising a discounted cash flow model. The highest and best use of the property is the current use. As disclosed in note 2 there was a change in the valuation technique used to estimate the fair value of the investment property during the year.

Details of the Company's investment properties and information about the fair value hierarchy as at 31 March 2014 are as follows:

31 March 2014	Level 1 £	Level 2 £	Level 3 £
Residential units located in the UK	-	-	5,739
31 March 2013	Level 1 £	Level 2 £	Level 3 £
Residential units located in the UK	-	-	3,324

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NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

5. INVESTMENT PROPERTY - (CONTINUED)

There were no transfers between the hierarchy levels during the year. A reconciliation of the level 3 positions is provided in the Freehold land table above.

The most significant unobservable input relates to the discount rate. The discount rate is estimated to reflect current market assessment of the time value of future cash flows and the risks specific to the asset.

The following sensitivity analysis has been performed by management, with all other things being equal:

An increase in the discount rate of 0.05% over the useful economic life of the assets would result in a reduction in the portfolio valuation by £88,664.

A decrease in the discount rate of 0.05% over the useful economic life of the assets would result in an increase in the portfolio valuation by £89,112.

The investment property and all other assets of the Company are pledged as collateral under a first floating charge in favour of Jetty Finance Limited, the ultimate parent company of the Company, with respect to the Senior Loan finance received from that company.

6. INVESTMENT IN SUBSIDIARIES

		<u>2014</u>	<u>2013</u>
50% ownership	Incorporated in	£'000	£'000
UK Ground Rent Estates (3) Limited	England and Wales	-	125
		-	125

During the year, the Company sold its investment in UK Ground Rent Estates (3) Limited. The gain on disposal of this investment amounted to £433,720.

7. RECEIVABLES

	<u>2014</u>	<u>2013</u>
Due within one year	£'000	£'000
Trade receivables	91	106
Other receivables	-	-
Amounts due from related parties	-	64
Prepayments and accrued income	55	47
Deferred taxation	-	38
	146	255
Due more than one year		
Amounts due from group undertaking	-	1,059
	-	1,059

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NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

8. PAYABLES

	<u>2014</u>	<u>2013</u>
	£'000	£'000
Due within one year		
Trade payables	48	4
Bank loan payable	-	58
Amounts due to related parties - interest free	-	353
Amounts due to immediate parent company - interest free	223	-
Amounts due to ultimate parent company - interest bearing	16	-
Corporation tax	122	19
Accruals and deferred income	201	403
	<u>610</u>	<u>837</u>

On 29 November 2013 the Company accepted an interest free loan up to £152,676 from its immediate parent company. The loan is repayable on demand. The proceeds of this loan were used to repay the existing loan held by the Company.

As at 31 March 2014 the total amount of interest free loans outstanding due to the parent company was £223,556.

9. LOANS PAYABLE

	<u>2014</u>	<u>2013</u>
	£'000	£'000
Bank loan payable	-	3,349
Amounts due to ultimate parent company - interest bearing	2,070	-
	<u>2,070</u>	<u>3,349</u>

On 29 November 2013 the Company entered into a Senior Loan Agreement with its ultimate parent company. The Company drewdown an initial loan of £2,093,703 from a maximum facility of £3,000,000. The terms of the Senior Loan Facility were amended by an Amended and Restated Agreement Senior Loan Agreement on 9 January 2014. The Company makes amortisation repayments semi-annually on the Interest Payment Dates in accordance with an Amortisation Schedule. The proceeds of this loan were used to repay the existing loan held by the Company. The amortisation payments due in the next 12 months amounted to £15,971 and the outstanding balance at year end amounted to £2,070,701.

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NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

10. TAXATION

The Company is a resident company assessed to income tax in the UK on UK rental income. The charge to UK corporation tax on ordinary activities for the year was £116,785 (2013: £(10,612)).

	<u>2014</u>	<u>2013</u>
	£'000	£'000
Factors affecting the tax charge		
Profit on ordinary activities before tax	2,922	28
Expected tax charge of 23% (2013: 20%)	672	6
Effect of:		
Utilised losses brought forward	-	(29)
Unrealised gains not subject to income tax	(555)	-
Adjustments in respect of prior periods	-	(2)
Loan relationships	-	30
Other timing differences	37	(16)
Corporation tax expense/(credit)	154	(11)

11. SHARE CAPITAL

	<u>2014</u>	<u>2013</u>
	£	£
AUTHORISED, ISSUED AND PAID:		
2 ordinary shares of £1 each	2	2

12. RELATED PARTY DISCLOSURES

Each of J.C. Bingham and M.C. Schnaier is an employee of an affiliate of Sanne Group (UK) Limited, a company which provides administration services to the Company at commercial rates. Administration fees of £nil (2013: £nil) were payable to Sanne Fiduciary Services Limited in respect of the year ended 31 March 2014. Other inter-group transactions are detailed in notes 6, 8 and 9.

13. DEFERRED TAXATION

As at 31 March 2014 there were no significant deferred tax assets or liabilities (2013: £nil).

14. CONTROLLING PARTY

The Company's immediate parent company is Adriatic Land 1 (GR1) Limited. The ultimate controlling party is Jetty Finance Limited. The Company's results have been consolidated into the consolidated financial statements of Jetty Finance Limited.

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 21 January 2015.