Annual Report and Financial Statements

2019

1 April 2018 to 31 March 2019

MILTON HOMES PROPERTIES LIMITED

Company Registration No. 07258478

MILTON HOMES PROPERTIES LIMITED

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MILTON HOMES PROPERTIES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	JDS Harrison MH Goldstein CR Rumsey
Secretary	SGH Company Secretaries Limited 6th Floor 60 Gracechurch Street London EC3V 0HR
Registered office	6th Floor 60 Gracechurch Street London EC3V 0HR
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Valuer	Allsop LLP 8th Floor, Platform New Station Street Leeds LS1 4BJ

MILTON HOMES PROPERTIES LIMITED

STRATEGIC REPORT

The Directors present the Strategic Report, together with the financial statements and auditor's report of Milton Homes Properties Limited (the "Company") for the period ended 31 March 2019.

Principal activities

The principal activity of the Company is to own reversionary interests in residential property acquired as a provider of both traditional and innovative home reversion plans. It also owns residential property acquired through home reversion plans, but is not currently entering into new business. The Company is authorised by The Financial Conduct Authority ("FCA") as a Home Reversion Plan provider.

Results for the financial period

The financial statements show results for the period as follows:

	Year ended 31 March 2019 £	15 months ended 31 March 2018 £
Income	**4,556,246**	7,757,090
(Loss) / Profit before tax	**(1,174,186)**	189,943
Tax (charge) / credit for the period	**(60,293)**	(684,470)
Loss attributable to equity shareholders	**(1,234,479)**	(494,527)

Business review and future developments

The Company has managed its business activities in the face of a fluctuating property market and extremely challenging lending conditions.

With the focus on cash conservation, there has been a decision to postpone any new equity release plan financial asset originations and property acquisitions. The Directors believe that this strategy has satisfied the somewhat conflicting objectives of conserving cash whilst maintaining the business presence of the Company.

The Company's strong brand, flexible and scalable infrastructure and established relationships with key intermediaries, continue to position it well to enjoy further significant growth.

Financial risk management objectives and policies

The City of London Group plc Board sets the overall risk appetite and philosophy of the Company. The City of London Group plc Board establishes the parameters for risk appetite through setting strategic direction, contributing to and ultimately approving annual business plans for the Company, and regularly reviewing and monitoring performance in relation to risk through half-yearly and ad hoc reports from Executive Committee meetings.

Risk appetite is defined in both qualitative and quantitative terms and is regularly assessed. It is an expression of the maximum level of residual risk that the Company is prepared to accept in order to deliver its business objectives.

The Company's activities expose it to a number of financial risks including interest rate risk, credit risk, property market risk, longevity risk and liquidity risk.

Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk of adverse changes (effectively increases) in market interest rates and arises primarily from the mismatch between the Company's secured debt obligations and the fixed rate it earns on its long-term equity release plan financial assets and investment properties.

Credit risk

Credit risk is the risk that the Company will incur losses as a result of the failure of customers and counterparties to meet their obligations and arises from holdings of financial assets.

The Company is not subject to material levels of credit risk, as these assets revert fully to the Company on reversion.

Property market risk

Property market risk is the risk that the investment value of the Company's investment properties and equity release plan financial assets may experience lower than anticipated or indeed negative growth. The investment value of the Company's investment properties and equity release plan financial assets is determined by changes in investment yields, actuarial assumptions regarding mortality and morbidity rates and by changes in the market value of the underlying properties.

The Company seeks to mitigate the level of property risk to which it is exposed by maintaining a portfolio that is well diversified both geographically and in terms of individual property values, and by seeking to avoid holding lower-quality properties and equity release plan financial assets which are generally more adversely impacted by market downturns. The Company adheres to eligibility criteria regarding the type, condition and marketability of the underlying property when entering into property acquisitions and equity release plans.

The Company's property market risk is further mitigated by the 5-year floor in the Property Plan which protects the Company from negative house price inflation ("HPI") in the first five years of the Plan.

Longevity risk

Longevity risk is the risk that the Company will incur financial loss because of the later-than-anticipated reversion of properties and equity release plan financial assets on account of experienced life expectancy improvements.

The Company seeks to mitigate this risk through the use of conservative mortality assumptions.

Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its cash obligations as they fall due.

The Company monitors its liquidity risk by maintaining short-term and long-term cash flow forecasts which identify significant future cash flow requirements, primarily from debt repayment schedules, and anticipated property acquisitions and equity release plan originations. The refinancing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property and financial asset. Marketing reports provided by selling agents provide insight into short-term cash inflows from the sale of investment properties and equity release plan financial assets.

On behalf of the Board

JDS Harrison
Director
25 July 2019

Company Registration No. 07258478

Some information is not shown in the directors' report because it is shown in the strategic report instead.

Directors

The Directors who served the company during the period and up to the date of this report were as follows:

JDS Harrison
MH Goldstein
CR Rumsey (resigned 10 May 2019)

In terms of section 234 of the Companies Act 2006, the Directors of the Company have been granted Qualifying Third Party Indemnity Provisions by the Company, which remain in force as at the date of approving the Strategic Report and the Directors' Report.

The Directors do not recommend the payment of a dividend in respect of the current financial period (2018: £nil).

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Under Company law, the directors must not approve the company financial statements unless they are satisfied that they present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period. In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cashflows of the Company;
- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- 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 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- make judgements and 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 proper accounting records which 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, and Article 4 of the IAS Regulations.

The Directors are also responsible for the system of internal control, 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 that they have complied with these requirements.

MILTON HOMES PROPERTIES LIMITED

DIRECTORS' REPORT

Business review and future developments

The Company has managed its business activities in the face of a fluctuating property market and extremely challenging lending conditions.

With the focus on cash conservation, there has been a decision to postpone any new equity release plan financial asset originations and property acquisitions. The Directors believe that this strategy has satisfied the somewhat conflicting objectives of conserving cash whilst maintaining the business presence of the Company.

The Company's strong brand, flexible and scalable infrastructure and established relationships with key intermediaries, continue to position it well to enjoy further significant growth.

Going concern statement

Having made appropriate enquiries and reviewing the company's forecast cashflows, in particular regarding the ability of the Company to meet its liabilities as and when they fall due, the Directors are satisfied that the Company has adequate resources to continue its operations for the foreseeable future. The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each financial asset. In particular, the Directors have been informed that the company's receivable of £15.6m (see note 10) ranks ahead of certain other group liabilities at Milton Homes Limited. The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Auditor

In the case of each of the persons who are directors at the time when the Strategic Report and the Directors' Report are approved, the following apply:

- 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 he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

JDS Harrison
Director
25 July 2019

Company Registration No. 07258478

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILTON HOMES PROPERTIES LIMITED

Opinion

We have audited the financial statements of Milton Homes Properties Limited ("the Company") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement 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 March 2019 and of its loss 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILTON HOMES PROPERTIES LIMITED

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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have 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 Strategic report and Director's 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.

Responsibilities of Directors

As explained more fully in the Directors' report , 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 at the Financial Reporting Council's website at:

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

Orla Reilly (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
25 July 2019

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

MILTON HOMES PROPERTIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 March 2019

	Notes	Year ended 31 March 2019 £	15 months ended 31 March 2018 £
Income	4	**4,556,246**	7,757,090
Direct costs		**1,938**	(1,497)
Gross profit		**4,558,184**	7,755,593
Administrative expenses		**(1,737,129)**	(2,447,884)
Operating profit		**2,821,055**	5,307,709
Finance expense	6	**(3,995,241)**	(5,117,766)
(Loss) / Profit before tax		**(1,174,186)**	189,943
Tax (charge) / credit for the period	7	**(60,293)**	(684,470)
Total comprehensive loss attributable to equity Shareholders	15	**(1,234,479)**	(494,527)

All activities for the financial period arise from continuing operations. The Company has no other comprehensive income other than the losses above, for the period ended 31 March 2019 (2018: £nil).

MILTON HOMES PROPERTIES LIMITED
STATEMENT OF CHANGES IN EQUITY
for the period ended 31 March 2019

	Notes	Share capital £	Accumulated profit £	Total £
At 1 January 2017		20,900,000	8,393,598	29,293,598
Total comprehensive loss for the financial period		-	(494,527)	(494,527)
At 31 March 2018		**20,900,000**	**7,899,071**	**28,799,071**
At 1 April 2018	15	20,900,000	7,899,071	28,799,071
Total comprehensive loss for the financial year		-	(1,234,479)	(1,234,479)
At 31 March 2019		**20,900,000**	**6,664,592**	**27,564,592**

MILTON HOMES PROPERTIES LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 March 2019

	Notes	31 March 2019 £	31 March 2018 £
ASSETS			
Non current assets			
Investment property	8	**35,397,085**	37,788,471
Investment property held for sale	8	**5,643,167**	7,137,887
Financial assets – equity release plans	9	**28,459,401**	27,740,915
Financial assets – equity release plans held for sale	9	**2,025,736**	2,471,814
		71,525,389	75,139,087
Current assets			
Trade and other receivables	10	**16,028,445**	12,871,766
Cash and cash equivalents	16	**690,846**	2,557,493
		16,719,291	15,429,259
Total assets		**88,244,680**	90,568,346
LIABILITIES			
Current liabilities			
Trade and other payables	11	**3,514,418**	3,205,822
		3,514,418	3,205,822
Non-current liabilities			
Interest-bearing loans and borrowings	12	**57,165,670**	58,563,453
		57,165,670	58,563,453
Total liabilities		**60,680,088**	61,769,275
Total net assets		**27,564,592**	28,799,071
EQUITY			
Share capital	14	**20,900,000**	20,900,000
Accumulated income	15	**6,664,592**	7,899,071
Total equity		**27,564,592**	28,799,071

These financial statements were approved by the Board of Directors and authorised for issue on 25 July 2019.

Signed on behalf of the Board of Directors

JDS Harrison
Director

MILTON HOMES PROPERTIES LIMITED
CASHFLOW STATEMENT
as at 31 March 2019

	Notes	Year ended 31 March 2019 £	15 months ended 31 March 2018 £
Operating activities			
Loss for the period		**(1,234,479)**	(494,527)
Gain on revaluation of investment properties	4	**(1,744,080)**	(4,303,648)
Profit on disposal of investment properties	4	**(573,853)**	(910,180)
Realised gains from cancellation of equity release plans	4	**(203,628)**	(340,483)
Equity Transfer Rate income	4	**(1,496,860)**	(2,117,721)
Increase in fair value of equity release plan assets	4	**(537,825)**	(85,058)
Finance expense	6	**3,995,241**	5,117,766
Non-cash management fees		**1,323,030**	2,070,174
Net cash outflow before changes in working capital		**(472,454)**	(1,063,677)
(Increase) / Decrease in trade and other receivables		**(5,986)**	14,253
Increase in trade and other payables other than non cash management fees		**144,301**	704,597
Net cash outflow from operating activities		**(334,139)**	(344,827)
Investing activities			
Proceeds from sale of investment properties		**6,197,936**	9,702,865
Proceeds from cancellation of equity release plans		**2,050,886**	3,120,742
Purchase of investment properties		**-**	-
Purchase of equity release plans		**(67,433)**	-
Further releases – investment properties		**(11,314)**	(23,439)
Further releases – equity release plans		**(3,585)**	(10,004)
Net cash inflow from investing activities		**8,166,490**	12,790,164
Financing activities			
Interest paid		**(7,432)**	(14,048)
Repayments to parent company		**(3,150,000)**	(1,050,000)
Repayments to group companies		**(1,105,000)**	(1,304,000)
Payment of deferred purchase consideration		**(42,509)**	(51,420)
Repayment of Partnership borrowings		**(5,342,027)**	(7,598,270)
Drawdown of Partnership borrowings		**-**	-
Early repayment charge on Partnership borrowings		**(52,030)**	(26,647)
Net cash outflow from financing activities		**(9,698,998)**	(10,044,385)
Net (decrease) / increase in cash and cash equivalents		**(1,866,647)**	2,400,952
Cash and cash equivalents at beginning of period		**2,557,493**	156,541
Cash and cash equivalents at end of period	16	**690,846**	2,557,493

The repayments to the group companies of £1,105,000 (2018: £1,304,000) is in relation to the asset management fees payable to Retirement Plus Limited during financial period ended 31 March 2019.

1. Accounting policies

The Company's financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (together "IFRS") as adopted by the European Union, and comply with the Companies Act 2006. The period end date has been changed to 31 March to coincide with the year-end date of the City of London Group plc (100% ultimate parent).

The Company's financial statements are prepared in Sterling and all values are rounded to the nearest pound except where otherwise indicated.

The Company is registered in England and Wales under the Companies Act 2006.

Changes in accounting policy

New standards, interpretations and amendments effective for periods beginning on or after 1 January 2018 and which have given rise to changes in the Company's accounting policies are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

IFRS 9 requires the classification and measurement category to be determined at the point of initial recognition based on:

- The Business Model adopted; and

- The contractual cash flows of the instrument (Solely Payments of Principal and Interest ("SPPI") test).

IFRS 9 identifies three types of business model: 'Hold to collect', 'Hold to collect and sell' and 'Other'.

Details of the impact of IFRS 9 are given in Note 13 below.

IFRS 15 requires the assessment of revenue streams, which for this company are outside the scope of this standard.

New standards and standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. The most significant of these is:

- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019).

IFRS 16 'Leases' – Provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. This standard is effective for accounting periods beginning on or after 1 January 2019. The Company has completed an assessment of the impact of IFRS 16. Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and the adoption of IFRS 16 will not have a material impact on the financial statements. IFRS 16 will change the basis of accounting for leases previously classified as operating leases under IAS 17.

1. Accounting policies (continued)

Going Concern

Having made appropriate enquiries and reviewing the company's forecast cashflows, in particular regarding the ability of the Company to meet its liabilities as and when they fall due, the Directors are satisfied that the Company has adequate resources to continue its operations for the foreseeable future. The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each financial asset.

In particular, the Directors have been informed that the company's receivable of £15.6m (see note 10) ranks ahead of certain other group liabilities at Milton Homes Limited. The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Investment Property

Freehold and leasehold property held for capital appreciation that is not occupied by the Company is classified as investment property.

Investment property is measured initially at cost, including directly attributable transaction costs, and is thereafter reported at fair value, which reflects market conditions at the period end date.

Gains or losses arising from a change in the fair values of the investment properties are included in the statement of comprehensive income in the period in which they arise.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future benefits can be expected.

Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the statement of comprehensive income.

Financial Assets – equity release plans

Through the Property Plan agreement the Company owns rights to increasing beneficial interests in residential properties in the United Kingdom. The values of these interests are measured at fair value with changes recognised in the statement of comprehensive income.

Gains or losses arising from a change in the fair values of the financial assets are recognised in the statement of comprehensive income in the period in which they arise.

A financial asset is derecognised on disposal or when the financial asset is permanently withdrawn from use and no future benefits can be expected. The gain or loss arising from the retirement or disposal of financial assets is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income.

1. Accounting policies (continued)

Leases

Leases taken by the Company are assessed individually as to whether they are finance leases or operating leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Properties leased out to tenants under operating leases are included in investment properties in the balance sheet and accounted for in accordance with the accounting policy on investment property. Operating lease payments net of lease incentives are recognised as an expense in the Income Statement on a straight line basis over the lease term.

Impairment of receivables

Impairment provisions for receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Trade and other receivables

Trade and other receivables are carried at the lower of their original invoiced value and recoverable amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits, and are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are stated at cost.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses on the repurchase, settlement or cancellation of liabilities are recognised in the statement of comprehensive income in finance income and finance expense, respectively.

1. Accounting policies (continued)

Intra-group balances

Intra-group loans and similar balances between group companies are held at amortised cost. As these are financial instruments which come within the scope of IFRS 9, an assessment is made regularly to determine whether any provision for expected credit losses is required. The Company has applied the simplified approach to recognise lifetime expected credit losses on these intra group balances. It was determined that, having regard to the terms of each loan, no provisions were required.

Deferred purchase consideration on acquisition of reversionary interests in investment property

The Company has entered into loan agreements with tenants which are repaid by way of monthly instalments over the term of the agreement. The loans are recognised when the Company becomes party to the related contract and are measured initially at fair value less directly attributable transaction costs. After initial recognition, deferred purchase consideration is measured at amortised cost using the effective interest rate method.

The loans are repaid in the event of death, vacation from the property or at the Company's request, generally in response to receipt of a request for repayment from the tenant.

Financial instruments

Apart from the property plans, the Company's principal financial instruments comprise cash, the Partnership loan, deferred purchase consideration, trade and other receivables, and trade and other payables. Cash and cash equivalents are considered to be cash at bank and cash in hand. The main purpose of these instruments is to finance the acquisition of investment property and to meet operating, administrative and finance costs. It is the Company's policy that no speculative trading in financial instruments shall be undertaken. The Directors consider that there are no material differences between the carrying values and fair values of the Company's financial assets and liabilities at each period end.

Current tax

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1. Accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Revenue recognition

Profits or losses on the sale of financial assets and reverted properties are recognised on completion of the sale and are calculated as net sales proceeds less the carrying value of the Company's beneficial interest in the financial assets, or the interest in the properties, determined by the most recent valuation.

Equity Transfer Rate ("ETR") income represents the recognition in the statement of comprehensive income of the increase in the Company's beneficial interest in the properties underlying the equity release plan financial asset portfolio in accordance with the contractual terms of the Property Plan. ETR income is recognised on a monthly basis over the term of the plan until the Company's beneficial interest reaches the maximum set out in each individual Property Plan. This increase in value is recognised as part of revenue in the statement of comprehensive income.

The unrealised gain or loss on the revaluation of investment properties and equity release plan financial assets to fair value, is recognised in the statement of comprehensive income in the period in which it arises.

2. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, which are described in note 1, management has made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements.

The fair value of the Company's investment properties and equity release plan assets is determined by independent real estate valuation experts Allsop LLP using recognised valuation techniques. See note 8 and 9.

3. Information regarding directors and employees

The Directors have not received any emoluments for their services from the Company during the period (2018: £nil). The directors' emoluments for the group of £334,419 (2018: £479,742) where borne by a group undertaking, Retirement Plus Limited. There were no other employees (2018: £nil).

4. Income

	Year ended 31 March 2019 £	15 months ended 31 March 2018 £
Profit on disposal of investment properties	**573,853**	910,180
Gain on revaluation of investment properties	**1,744,080**	4,303,648
Gain on revaluation of property plan assets	**537,825**	85,058
Equity Transfer Rate income	**1,496,860**	2,117,721
Realised gain on cancellation of equity release plans	**203,628**	340,483
	4,556,246	7,757,090

5. Auditors' remuneration

	Year ended 31 March 2019 £	15 months ended 31 March 2018 £
Audit of the financial statements	**12,000**	12,000

6. Finance expense

	Year ended 31 March 2019 £	15 months ended 31 March 2018 £
Interest payable on Partnership loan	**3,987,809**	5,105,855
Interest payable on deferred consideration	**7,432**	11,911
Early repayment charges on the Partnership loan	**-**	-
	3,995,241	5,117,766

7. Taxation

The effective rate of corporation tax for the previous period varies from the standard rate in the United Kingdom (19%) as applied to the Company's pre-tax result for the reasons below.

	Year ended 31 March 2019 £	15 months ended 31 March 2018 £
Analysis of tax charge / (credit) for the period		
Current tax credit – Prior year adjustment in respect of group relief	-	-
Deferred tax charge	**60,293**	684,470
Tax charge / (credit) for the period	**60,293**	684,470
Reconciliation of total tax charge		
(Loss) / Profit on ordinary activities before tax	**(1,174,186)**	189,943
(Loss) / Profit on ordinary activities multiplied by the standard rate of Corporation tax in the United Kingdom ((19%) (2018: 19.2%))	**(223,096)**	36,469
Factors affecting the tax charge / (credit) for the period:		
Group relief surrendered	**93,566**	100,139
Non-deductible expenses	**10,193**	-
Movement in recognised losses	**60,293**	684,470
Profit on revaluation of investment properties	**(331,375)**	(826,300)
Non- taxable income	**284,064**	292,572
Unutilised losses carried forward	**166,648**	397,120
Prior year adjustments in respect of group relief	-	-
	60,293	684,470

The Company had an unrecognised deferred tax asset in 2019 of £4,269,478 (2018: £4,179,587).

Deferred tax

The deferred tax liabilities are analysed below:

Deferred tax liability	**Year ended 31 March 2019 £**	15 months ended 31 March 2018 £
Gains arising from the revaluation of the investment properties	**1,416,739**	1,456,975
Losses	**(671,976)**	(772,505)
Deferred tax liabilities	**744,763**	684,470

7. Taxation (continued)

The Finance (No.2) Act 2015 was enacted on 18 November 2015, which introduced a reduction in the headline rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 was enacted on 15 September 2016, and introduced a further reduction of the headline rate of corporation tax to 17% from 1 April 2020. At the balance sheet date the reductions in the tax rate had been substantively enacted. Deferred tax is calculated at 17% as the temporary differences are expected to unwind after April 2020. The rate changes will impact the amount of future tax payments to be made by the Company.

8. Investment property

	No.	**31 March 2019 £**	No.	31 March 2018 £
At beginning of period	**302**	**44,926,358**	347	49,268,036
Additions	**-**	**-**	-	-
Further Releases	**-**	**11,519**	-	23,909
Disposals	**(31)**	**(5,641,705)**	(45)	(8,669,235)
Revaluations	**-**	**1,744,080**	-	4,303,648
Valuation at end of period	**271**	**41,040,252**	302	44,926,358

Fair value hierarchy
The valuation of the investment properties is a Level 3 valuation in the fair value hierarchy.

Valuation method
The Company owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the equity owned percentage of the properties upon the Company taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests. The board of directors is responsible for determining the company's valuation policies and procedures and appoints an external valuer to perform the valuation. The selection criteria used to select that valuer include their market knowledge & expertise, independence and demonstrable compliance with professional standards. The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Company's assets, including those properties which have become vacant and are in the process of being sold. Where the company has taken vacant possession of property an allowance has been made against the full market value to take account of necessary refurbishment costs. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers. The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term - the length of time until vacant possession becomes due.
- Investment rate - also known as a discount rate and this includes a judgement of current marketability and condition of the property.
- Cost saving rate - the potential cost saving of acquiring already existing life tenancy investments.

There were no changes in valuation techniques during the period.

8. Investment property (continued)

Valuation assumptions

Investment term – the investment term is the period until the Company obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2015-17 (2018: for the period 2014-2016). Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Company will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10% for younger tenants to 2.5% for older tenants. This remains unchanged from the prior period.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.5% to 7.75%. This remains unchanged from the prior period.

Cost saving rate – In determining the discount percentage, an adjustment is made for each property to take into account the potential cost saving of acquiring already existing life tenancy investments. It is estimated that the initial set up cost per property of acquiring life tenancy investments is approximately 5% of the value of the vacant possession equity being acquired.

A 1.25% (2018: 1.25%) uplift has been applied to account for the potential cost savings of acquiring already existing life tenancy investments.

The sensitivity analysis to changes in unobservable inputs for investment properties is:

- increases in estimated investment terms and rates would result in a lower fair value; and
- decreases in estimated investment terms and rates would result in a higher fair value.

Due to the aggregated nature of the investment property portfolio it is not possible to accurately quantify sensitivity of an individual input.

9. Financial assets – equity release plans

	No.	31 March 2019 £	No.	31 March 2018 £
Valuation at beginning of period	250	30,212,729	268	30,827,241
Transfers / additions	1	67,433	-	-
Further releases	-	3,585	-	10,004
Equity transfer rate	-	1,496,860	-	2,117,721
Cancellations	(12)	(1,833,295)	(18)	(2,827,295)
Revaluations	-	537,825	-	85,058
Valuation at end of period	239	30,485,137	250	30,212,729

Fair value hierarchy

The valuation of the financial assets is a Level 3 valuation in the fair value hierarchy.

Valuation method

The Company owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the estimated equity owned percentage of the properties upon the Company taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests.

The board of directors is responsible for determining the Company's valuation policies and procedures and appoints an external valuer to perform the valuation. The selection criteria used to select that valuer include their market knowledge & expertise, independence and demonstrable compliance with professional standards.

The fair value of the properties is determined on a market value basis with an assumption of vacant possession. One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Company's assets, including those properties which have become vacant and are in the process of being sold. Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers.

The discount percentage is based upon a number of factors over which judgements are made. These judgements include:

- Investment term - the length of time until vacant possession becomes due.
- Investment rate - also known as a discount rate and this includes a judgement of current marketability and condition of the property.
- Equity interest upon the Company taking vacant possession – the anticipated equity percentage expected to be held by the Company upon taking vacant possession

The resultant valuations are capped at the estimated value of the Company's interest in the vacant possession value of the property should it have been obtained at the balance sheet date.

There were no changes in valuation techniques during the period.

9. Financial assets – equity release plans (continued)

Valuation assumptions

Investment term – the investment term is the period until the Company obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the Office for National Statistics for the period 2015-17 (2018: for the period 2014-16). Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used.

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Company will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members.

The speed up rate applied ranges from 10% for younger tenants to 2.5% for older tenants. This remains unchanged from the prior period.

Equity interest upon the Company taking vacant possession – the anticipated equity percentage expected to be held by the Company upon taking vacant possession is calculated with reference to the expected investment term, the equity interest owned by the Company at the balance sheet date and the additional slices of equity in each property that will accrue under the terms of the equity release plans.

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property. Guidance is taken from the yield rates used by Valuation Tribunals for residential property.

The investment rates applied range from 5.5% to 7.75%. This remains unchanged from the prior period.

The sensitivity analysis to changes in unobservable inputs for financial assets – equity release plans is:

- increases in estimated investment terms and rates would result in a lower fair value; and
- decreases in estimated investment terms and rates would result in a higher fair value.

Due to the aggregated nature of the financial asset portfolio it is not possible to accurately quantify sensitivity of an individual input.

10. Trade and other receivables

	31 March 2019 £	31 March 2018 £
Amounts owed by immediate parent company	**15,632,475**	12,485,767
Amounts owed by group companies	**385,768**	381,783
Other receivables	**10,202**	4,216
	16,028,445	12,871,766

11. Trade and other payables

	31 March 2019 £	31 March 2018 £
Trade creditors	**3,895**	2,604
Amounts owed to group companies	**2,683,837**	2,447,917
Deferred purchase consideration	**42,835**	40,366
Deferred tax liability	**744,763**	684,470
Accruals and deferred income	**39,088**	30,465
	3,514,418	3,205,822

Under IAS 7, current loans and borrowings owed to group companies have moved by £235,920 from £2,447,917 to £2,683,837 due to payments made of £1,100,000 for working capital, offset by administration fees charged of £1,323,030 and overheads paid of £12,890 by and on behalf of another group company, Retirement Plus Limited.

12. Interest bearing loans and borrowings

	31 March 2019 £	31 March 2018 £
Non-current		
Partnership loan	**57,111,387**	58,465,605
Deferred purchase consideration	**54,283**	97,848
	57,165,670	58,563,453

Partnership loan

The Partnership loan facility bears interest at 7.15% per annum and is now secured on the investment properties and equity release plan assets held by the Company. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of.

Under IAS 7, non-current loans and borrowings owed to Partnership have moved by £1,354,218 from £58,465,605 to £57,111,387 due to repayments made of £5,342,027, offset by interest charges of £3,987,809 in the year.

Deferred purchase consideration

Deferred purchase consideration represents annuities payable to tenants where consideration for a property has taken the form, in some part, of a commitment by the Group to pay monthly cash instalments over a set period. The last of these instalments is payable in 2025. The effective interest rate is 5.95%.

Undrawn committed borrowings

As at 31 March 2019, the Company had £nil (2018: £nil) of undrawn committed borrowing facilities from Partnership Life Assurance Company Limited for asset purchases, as the fifth year commitment of £50m has now expired.

13. Financial Instruments

Apart from the property plans, the Company's principal financial instruments comprise cash, the Partnership loan, deferred consideration, trade and other payables, and trade and other receivables. It is the Company's policy that no speculative trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are liquidity risk, credit risk, capital management risk and market risk. There is no currency risk as all financial instruments are held in Sterling.

IFRS 9 'Financial Instruments' which is the replacement for IAS 39 'Financial Instruments: recognition and measurement' has been applied for the first time in these financial statements.

The Company has elected not to restate comparatives on initial application of IFRS 9. IFRS 9 introduces new requirements for:

- classification and measurement of financial assets and financial liabilities
- impairment methodology and
- hedge accounting.

As the Company does not use any hedging instruments, the IFRS 9 requirements on these do not apply.

Classification and measurement

A single classification and measurement model is to be used for financial assets, which is dependent on the entity's business model for managing financial assets and the contractual cash flow characteristics of those financial assets.

Financial assets fall into one of three principal classification categories: (i) amortised cost, (ii) fair value through profit and loss or (iii) fair value through other comprehensive income. Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

The financial assets and liabilities of the Company and the basis of measurement are set out below. The adoption of IFRS 9 with effect from 1 April 2018 has not resulted in any changes in classification categories nor in the basis of measurement of items within each category:

Financial assets – equity release plans: the Company owns rights to increasing beneficial interests in residential properties in the UK through Property Plan agreements. The values of these interests are, subsequent to initial recognition at cost, measured at fair value with changes recognised in the consolidated income statement. Directly attributable transaction costs are excluded from the initial cost of financial assets which are fair valued through profit or loss. These assets continue to be measured at fair value through profit and loss ('FVTPL') under IFRS 9.

Finance leases, hire purchase agreements and loans: These are held solely for the collection of contractual cash flows, being interest, fees and repayments of principal. These assets continue to be held at amortised cost.

Trade payables, financial liabilities and trade receivables are held solely for the collection and payment of contractual cash flows, being payments of principal and interest where applicable. These continue to be held at amortised cost.

13. Financial Instruments (continued)

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its cash obligations. The Company obtains financing from the sale of its properties to fund overheads and the financing requirements of the other subsidiary companies and its parent company. There is no risk at the year end.

Commitments and contingencies
The table below summarises the maturity profile of the company's financial liabilities at 31 March 2018 and 31 March 2019 based on contractual undiscounted payments:

	Interest rate (%)	Within 1 year £'000	1-5years £'000	More than 5 years £'000	Total £'000
31 March 2018					
Amounts due to group undertakings	-	2,448	-	-	2,448
Deferred purchase consideration	5.95	46	93	14	153
Partnership Loan	7.15	-	-	58,466	58,466
31 March 2019					
Amounts due to group undertakings	-	2,684	-	-	**2,684**
Deferred purchase consideration	5.95	47	52	8	**107**
Partnership Loan	7.15	-	-	57,111	**57,111**

The above table shows the outstanding loan balance and accrued interest on the Partnership loan as at 31 March 2018 and 31 March 2019. The Partnership loan bears interest at 7.15% per annum. The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of.

Credit risk
The Company's exposure to credit risk on cash and cash equivalents arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There is no risk at the year end.

13. Financial Instruments (continued)

Capital management
Through efficient capital management, the Company aims to maximise corporate value whilst reducing the financial risks to which it is exposed. Investment Properties and Equity Release plan assets are individually reviewed for consistency with the Company's acceptable eligible plan criteria. The Company funds investment activity and operations through shareholder equity and debt. The mix of financing between equity and debt is generally reviewed when debt facilities are renegotiated or when significant property plan activity is forecast.

Fair values of financial assets and financial liabilities
The Directors consider that there are no material differences between the carrying values and the fair values of financial assets and liabilities at each period end, and therefore are not subject to the reclassification requirements of IFRS 9.

14. Share capital

	31 March 2019 £	31 March 2018 £
Authorised:		
50,000,000 (2018 : 50,000,000) ordinary shares of £1 each	**50,000,000**	50,000,000
Allotted, issued and fully paid:		
20,900,000 (2018 : 20,900,000) ordinary shares of £1 each	**20,900,000**	20,900,000

15. Reserves

	Accumulated losses £
At 1 April 2018	**7,899,071**
Loss for the period	**(1,234,479)**
At 31 March 2019	**6,664,592**

16. Notes to the cashflow statement

For the purpose of the cashflow statement, cash and cash equivalents comprise the following:

	31 March 2019 £	31 March 2018 £
Cash at bank and in hand	**690,846**	2,557,493

17. Ultimate parent undertaking and controlling party

At 31 March 2019 the immediate parent, for which consolidated financial statements are prepared and of which the Company is a member, was Milton Homes Limited. Copies of the consolidated financial statements of Milton Homes Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

At 31 March 2019, the ultimate parent undertaking and controlling party was City of London Group plc, a company registered in England and Wales.

18. Related party transactions

Retirement Plus Limited (a fellow subsidiary undertaking) receives a fee from the Company for the provision of administrative services and is reimbursed for expenses and charges incurred in the performance of the services. Charges for the period ended 31 March 2019 total £376,256 (2018: £570,174). Retirement Plus Limited also receives a fee from the Company for the management of its portfolio of home reversion plan assets and is reimbursed the administration expenses incurred for the performance of these ancillary services. Charges for the period ended 31 March 2019 total £946,774 (2018: £1,500,000). Amounts payable to other group undertakings are set out in note 11. Amounts due from other group undertakings are set out in note 10.