

Wallace Partnership Group Limited

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended

31 December 2018



Company Registration No. 7780646

Wallace Partnership Group Limited

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

M Platt
L Padulli
P Langford

SECRETARY

N Chambers

REGISTERED OFFICE

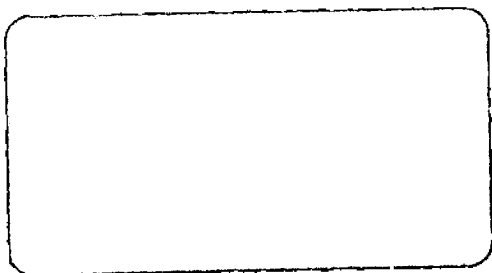
Botanic House
Hills Road
Cambridge
CB2 1PH

AUDITOR

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

SOLICITORS

Mills & Reeve LLP
Botanic House
Hills Road
Cambridge
CB2 1PH



Wallace Partnership Group Limited

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Wallace Partnership Group Limited

DIRECTORS' REPORT

For the year ended 31 December 2018

The directors have pleasure in presenting their report and the consolidated financial statements of the group for the year ended 31 December 2018. During the prior period, the company changed its accounting date from 30 September to 31 December. These financial statements are for the year ended 31 December 2018 and the comparative figures are for the 15 months ended 31 December 2017.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activities of the group during the year under review were that of property management, investment and dealing.

Both the development of the business during the year and its financial position at the end of the year were in line with expectations. During the year the company acquired the entire share capital of Gray's Inn Holdings Limited for consideration of £14,459,000. Mainly as a result of this acquisition, profit before taxation of £4,734,000 (2017: £5,287,000) was lower than last year following an increase in interest payable of £12,645,000 (2017: £12,178,000 for the 15 month period) and cash balances grew by £10,954,000 to £35,953,000 (2017: £24,999,000).

During the prior period the entire share capital of the company was acquired by Perseverance Limited, a company registered in Gibraltar. The shares were subsequently sold to Albanwise Limited, a subsidiary undertaking of Perseverance Limited, registered in England & Wales.

RESULTS AND DIVIDENDS

The results for the year are set out in the statement of comprehensive income on page 7. A dividend of £1,500,000 was paid during the year (2017: £nil).

FUTURE DEVELOPMENTS

The directors expect the present level of underlying activity to be sustained.

GOING CONCERN

The directors have considered whether the going concern basis of accounting is appropriate with reference to profit and cash flow forecasts. The directors have concluded that the group has access to adequate resources which will enable it to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been used in preparing the consolidated financial statements.

MATTERS OF STRATEGIC IMPORTANCE

The company has chosen in accordance with Companies Act 2006, s 414C (11) to set out in the company's Strategic Report information required by Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, sch. 7 to be contained in the Directors' Report. It has done so in respect of principal risks and uncertainties and key performance indicators.

DIRECTORS

The directors who served the company since 1 January 2018 and up to the date of approval of these financial statements were as follows:

M Platt

L Padulli

P Langford (appointed 1 May 2018)

Wallace Partnership Group Limited

DIRECTORS' REPORT

For the year ended 31 December 2018

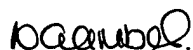
AUDITOR

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

By order of the board



N Chambers
Secretary
31 March 2019

Wallace Partnership Group Limited

GROUP STRATEGIC REPORT

For the year ended 31 December 2018

REVIEW OF BUSINESS

During the year the company acquired the entire share capital of Gray's Inn Holdings Limited for consideration of £14,459,000. Mainly as a result of this acquisition, profit before taxation of £4,734,000 (2017: £5,287,000) was lower than last year following an increase in interest payable of £12,645,000 (2017: £12,178,000 for the 15 month period) and cash balances grew by £10,954,000 to £35,953,000 (2017: £24,999,000).

The results for the year are set out in the statement of comprehensive income on page 7. A dividend of £1,500,000 was paid during the year (2017: £nil).

Both the development of the business during the year and its financial position at the end of the year were in line with expectations.

MATTERS OF STRATEGIC IMPORTANCE

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the group centre on the valuation of its properties, liquidity and interest rates. Independent valuations of the group's investment properties are obtained periodically to monitor the growth of the group and secure its financing arrangements. The group's major outgoing is the interest payable on its issued loan notes and the group monitors its liquidity to ensure it has sufficient funds to meet its debts as they fall due. The group also uses fixed term agreements to ensure cash income is matched to cash outgoings.

The group manages its exposure to interest rates by maintaining some debt at fixed rates to ensure certainty of future interest cash flows. This policy is reviewed on a regular basis to ensure it is appropriate.

The group also engages in risk management procedures, principally via its wholly-owned insurance brokerage and managing agent, to ensure that its responsibilities and liabilities in respect of properties are properly managed.

KEY PERFORMANCE INDICATORS

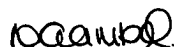
The business sets annual budgets against which it monitors performance. It also monitors rent collection rates for liquidity purposes. Given the straightforward nature of the business, the directors are of the opinion that further analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

LOAN NOTES

The group has issued loan notes which are secured on its ground rent portfolios. The interest and capital on the notes is payable from the ground rent income generated by the portfolios. The group monitors its liquidity and reforecasts on a regular basis to ensure that it has sufficient funds to meet its liabilities under the loan notes as they fall due.

The group continues to seek to acquire suitable ground rent portfolios.

By order of the board



N Chambers
Secretary
30 April 2019

Wallace Partnership Group Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALLACE PARTNERSHIP GROUP LIMITED

Opinion

We have audited the financial statements of Wallace Partnership Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a year of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALLACE PARTNERSHIP GROUP LIMITED

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

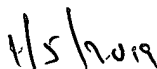
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

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



HOWARD FREEDMAN (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB



Wallace Partnership Group Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>Notes</i>	For the year ended 31 December 2018 £000	For the 15 months ended 31 December 2017 £000
Turnover	5	20,256	20,515
Cost of sales		(1,889)	(1,633)
GROSS PROFIT		18,367	18,882
Administrative expenses		(5,193)	(5,338)
Profit on disposal of investment properties		842	1,152
Fair value gains on investment properties	11	2,780	2,163
OPERATING PROFIT		16,796	16,859
Interest receivable and similar income	6	712	606
Interest payable and similar charges	7	(12,645)	(12,178)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	4,863	5,287
Taxation on profit on ordinary activities	10	644	648
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,507	5,935

Wallace Partnership Group Limited

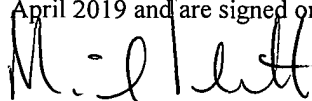
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

Company number: 7780646

			As at 31 December 2018 £000	As at 31 December 2017 £000
	Notes	£000	£000	£000
FIXED ASSETS				
Investment properties	11		282,400	282,400
Intangible assets	12		149	86
Other tangible fixed assets	13		41	52
Other investments	14		-	-
			<u>282,590</u>	<u>282,538</u>
CURRENT ASSETS				
Stocks	15	119,066		2,411
Debtors	16	88,783		92,924
Investments	17	11,066		7,970
Cash at bank and in hand		35,953		24,999
		<u>254,868</u>		<u>128,304</u>
CURRENT LIABILITIES				
Creditors: Amounts falling due within one year	18	(12,436)		(7,490)
NET CURRENT ASSETS			<u>242,432</u>	<u>120,814</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>525,022</u>	<u>403,352</u>
Creditors: Amounts falling due after more than one year	19		(343,518)	(238,021)
			<u>181,504</u>	<u>165,331</u>
PROVISIONS FOR LIABILITIES	21		(34,209)	(22,043)
NET ASSETS			<u>147,295</u>	<u>143,288</u>
CAPITAL AND RESERVES				
Called up share capital	22		11	11
Merger reserve			5,884	5,884
Other reserve			142,020	142,756
Retained earnings			(620)	(5,363)
TOTAL EQUITY			<u>147,295</u>	<u>143,288</u>

The financial statements on pages 7 to 28 were approved by the board of directors and authorised for issue on 30 April 2019 and are signed on its behalf by:



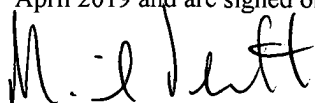
M Platt
Director

Wallace Partnership Group Limited
COMPANY STATEMENT OF FINANCIAL POSITION
At 31 December 2018

Company number: 7780646

			As at 31 December 2018 £000		As at 31 December 2017 £000
	Notes	£000	£000	£000	£000
FIXED ASSETS					
Investments	14		59,017		44,558
CURRENT ASSETS					
Debtors	16	9,355		15,718	
Cash at bank and in hand		218		1,933	
		<u>9,573</u>		<u>17,651</u>	
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year	18	(24,932)		(22,374)	
NET CURRENT ASSETS			<u>(15,359)</u>	<u>(4,723)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>43,658</u>	<u>39,835</u>	
Creditors: Amounts falling due after more than one year	19		(5,273)		-
NET ASSETS			<u>38,385</u>	<u>39,835</u>	
CAPITAL AND RESERVES					
Called up share capital	22		11		11
Capital reserve			38,257		38,257
Retained earnings			117		1,567
TOTAL EQUITY			<u>38,385</u>	<u>39,835</u>	

The financial statements on pages 7 to 28 were approved by the board of directors and authorised for issue on 30 April 2019 and are signed on its behalf by:



M Platt
 Director

Wallace Partnership Group Limited

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2018

GROUP	<i>Notes</i>	Called-up share capital £000	Merger reserve £000	Other reserve £000	Retained earnings £000	Total £'000
AT 1 OCTOBER 2016		11	5,884	143,052	(11,594)	137,353
Profit and total comprehensive income for the period		-	-	-	5,935	5,935
Transfer from profit or loss	22	-	-	3,174	(3,174)	-
Transfer to profit or loss	22	-	-	(3,470)	3,470	-
BALANCE AT 31 DECEMBER 2017		11	5,884	142,756	(5,363)	143,288
BALANCE AT 1 JANUARY 2018		11	5,884	142,756	(5,363)	143,288
Profit and total comprehensive income for the year		-	-	-	5,507	5,507
Dividends		-	-	-	(1,500)	(1,500)
Transfer from profit or loss	22	-	-	2,854	(2,854)	-
Transfer to profit or loss	22	-	-	(3,590)	3,590	-
BALANCE AT 31 DECEMBER 2018		11	5,884	142,020	(620)	147,295

COMPANY		Called-up Share capital £000	Capital reserve £000	Retained earnings £000	Total £000
BALANCE AT 1 OCTOBER 2016		11	38,257	157	38,425
Profit and total comprehensive income for the period		-	-	1,410	1,410
BALANCE AT 31 DECEMBER 2017		11	38,257	1,567	39,835
BALANCE AT 1 JANUARY 2018		11	38,257	1,567	39,835
Profit and total comprehensive income for the year		-	-	50	50
Dividends		-	-	(1,500)	(1,500)
BALANCE AT 31 DECEMBER 2018		11	38,257	117	38,385

Wallace Partnership Group Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	For the year ended 31 December 2018 £000	For the 15 months ended 31 December 2017 £000
NET CASH FLOW FROM OPERATING ACTIVITIES	28	13,972	15,089
Taxation paid		(811)	(879)
NET CASH GENERATED FROM OPERATING ACTIVITIES		13,161	14,210
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of investment properties		(1,812)	(5,384)
Acquisition of Gray's Inn		(4,205)	-
Purchase of intangible fixed assets		(107)	(35)
Purchase of tangible fixed assets		(29)	(16)
Proceeds from sales of investment properties		3,750	4,330
NET CASH USED IN FROM INVESTING ACTIVITIES		(2,403)	(1,105)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans advanced to third parties		-	(91,495)
Loans advanced by third parties		5,273	-
Loans repaid by third parties		6,410	23,701
Repayment of bank loans		(1,689)	(22,500)
Funds received from issuance of loan notes		-	94,875
Costs of issuance of loan notes		-	(125)
Repayment of loan notes		-	(1,664)
Amounts placed as current asset investments		-	(4,079)
Realisation of current asset investments		864	2,627
Interest received		750	423
Interest paid		(9,912)	(9,958)
Dividends paid		(1,500)	-
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		196	(8,195)
INCREASE IN CASH IN THE YEAR		10,954	4,910
Cash at start of financial year		24,999	20,089
CASH AT END OF FINANCIAL YEAR		35,953	24,999

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL INFORMATION

The company and its subsidiaries invest in and manage residential freehold titles in the UK. The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Botanic House, Hills Road, Cambridge, CB2 1PH.

The group consists of Wallace Partnership Group Limited and its subsidiary undertakings.

2 STATEMENT OF COMPLIANCE

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements are prepared in Sterling, which is the functional currency of the company and group. Monetary amounts in these financial statements are rounded to the nearest £1,000.

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

- Section 7 "Statement of Cash Flows" – presentation of a statement of cash flows and related notes and disclosures;
- Section 11 "Basic Financial Instruments" – carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; and
- Section 33 "Related Party Disclosures" – compensation for key management personnel.

The individual company financial statements for Wallace Partnership Group Limited are included in these consolidated financial statements which are publicly available and can be obtained from Companies House.

CHANGE OF ACCOUNTING REFERENCE DATE

During the prior period, the company changed its accounting date from 30 September to 31 December. These financial statements are for the year ended 31 December 2018 and the comparative figures are for the 15 months ended 31 December 2017.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

As permitted by s408 Companies Act 2006 the company has not presented its own statement of comprehensive income. The company's loss and total comprehensive income for the year was £1,451,000 (2017 profit: £1,410,000).

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiaries. The financial statements of all subsidiaries are made up to 31 December. The merger method of accounting has been applied to the group reconstruction which took place in October 2011 as if the entities acquired had always been combined. The carrying values of the entities' assets and liabilities are not adjusted to fair value. There was no difference between the nominal value of the shares issued (which comprised the investment in the acquired entities) and the nominal value of the shares received which are eliminated on consolidation.

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Entities acquired after the merger in 2011 have been accounted for using the purchase method whereby the results are incorporated from the date that control passes. The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed plus directly attributable costs. The excess of the cost of the business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

GOING CONCERN

The group has access to adequate resources which will enable it to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been used in preparing the consolidated financial statements.

REVENUE RECOGNITION

Turnover is derived from property management services (including the provision of insurance), rents, lease extensions and the sale of properties from trading stock during the year. Rental income is recognised when it falls due. Sales income is recognised on completion of the property transfer. Income from lease extensions is recognised upon the grant of the extension. Brokerage commission is recognised at the fair value of the consideration received for the sale of services.

INTEREST PAYABLE

Interest payable on debt is recognised in profit or loss over the term of the investment at a constant rate on the carrying amount.

TAXATION

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

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

INVESTMENT PROPERTIES

Investment properties are stated at £282,400,000 (2017: £282,400,000). In accordance with FRS 102 investment properties are measured initially at cost and are revalued annually by the directors to fair value. Changes in fair value are recognised in profit or loss.

The Companies Act requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

FIXED ASSET INVESTMENTS

In the separate accounts of the company interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

INTANGIBLE FIXED ASSETS

Intangible assets acquired separately are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated to write each asset down to its estimated residual value evenly over its expected useful life and is provided on at the following rates:

Software	- 5 year straight line
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TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is calculated to write each asset down to its estimated residual value evenly over its expected useful life and is provided at the following rates:

Leasehold improvements	- 5 year straight line
Computer equipment	- 5 year straight line
Fixtures & fittings	- 5 year straight line

ASSET IMPAIRMENTS

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of the fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment losses are recognised in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

STOCK

Stock consists of portfolios of available for sale ground rent properties which are stated at the lower of cost and estimated selling price. Disposals are recognised on agreement for sale. Profits and losses arising are dealt with through profit or loss.

FINANCIAL INSTRUMENTS

The group has elected to apply the provisions of Section 11 “Basic Financial Instruments” and Section 12 “Other Financial Instruments Issues” of FRS 102 in full to all of its financial instruments. Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Basic financial assets, which include other debtors and amounts due from group undertakings which are repayable on demand are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost, being the transaction price less any amounts settled and any impairment losses.

The group has also entered into fixed term agreements with its bankers in order to help manage its cash flow risk and meet its liabilities under the terms of the loan notes which have a return linked to rpi. These financial assets are accounted for as basic financial instruments and initially recognised at transaction price and subsequently measured at amortised cost.

Financial assets are only derecognised when the contractual rights to the cash flows from the asset expire or are settled or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Basic financial liabilities, which include trade creditors, other creditors and amounts due to group undertakings which are repayable on demand are initially measured at transaction price and are subsequently carried at amortised cost, being the transaction price less any amounts paid.

All loans are also accounted for as basic financial instruments and initially recognised at transaction price and subsequently measured at amortised cost.

Financial liabilities are derecognised when, and only when, the company’s contractual obligations are discharged, cancelled or they expire.

LEASES

All leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the term of the lease.

Rent-free years or other incentives received for entering into an operating lease are accounted for as a reduction to the expense recognised on a straight-line basis over the term of the lease.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense as incurred. Unused entitlement is recognised in the year in which the employee’s services are received.

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or provide termination benefits.

RETIREMENT BENEFITS

The group operates a defined contribution pension scheme. For defined contribution schemes the amount charged to profit or loss is the contributions payable during the reporting year. Differences between contributions payable and contributions actually paid are shown either as prepayments or accruals.

ADVANCES

The group occasionally advances monies to cover short-term shortfalls on service charge accounts pending collection of funds by in situ managing agents. Provisions are made against all such advances.

DIVIDENDS

Dividends are recognised as liabilities once they are no longer at the discretion of the company.

4 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

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

Investment properties are revalued annually by the directors. In valuing the assets the directors have drawn on all available appropriate evidence to shape their judgement, including cash flow models and calculations of worth prepared by independent professional advisors. The key inputs to such models and calculations are the discount rate, the assumptions applied to leases subject to variable rent reviews at specific dates in the future and the rates of enfranchisement and lease extension activity.

5 TURNOVER

Turnover is derived as follows:

	2018 £000	2017 £000
Ground rent receivable	9,310	9,681
Proceeds from sale of stocks	884	650
Proceeds from granting of lease extensions	3,745	4,135
Property management income	4,425	4,698
Insurance commission	1,248	1,128
Other income	644	223
	<u>20,256</u>	<u>20,515</u>

All turnover is derived in the UK.

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6	INTEREST RECEIVABLE AND SIMILAR INCOME	2018	2017
		£000	£000
	<i>Interest on financial assets measured at amortised cost</i>		
	Bank interest receivable	159	136
	Other interest receivable	553	470
		<u>712</u>	<u>606</u>
7	INTEREST PAYABLE AND SIMILAR CHARGES	2018	2017
		£000	£000
	<i>Interest on financial liabilities measured at amortised cost</i>		
	Interest payable on bank loans and overdrafts	49	87
	Interest payable on loan notes	12,596	12,091
		<u>12,645</u>	<u>12,178</u>
8	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2018	2017
		£000	£000
	Profit on ordinary activities before taxation is stated after charging:		
	Amortisation of intangible fixed assets	20	123
	Depreciation of tangible fixed assets – owned	26	79
	Auditor's remuneration – statutory audit of the company	30	10
	Auditor's remuneration – statutory audit of the company's subsidiaries	180	80
	Auditor's remuneration – other non-audit services	74	71
	Operating lease rentals	230	258
9	EMPLOYEES		
	The average monthly number of persons (including directors) employed by the group during the year was 30 (2017: 28). All employees are categorised as office/management.		
		2018	2017
		£000	£000
	Wages and salaries	1,518	2,154
	Social security costs	193	264
	Defined contribution pension cost	44	38
		<u>1,755</u>	<u>2,456</u>

The Group's key management personnel consists of the directors.

Directors' emoluments paid in the year amounted to £405,000 (2017: £566,000). Estimated benefits provided to directors in the year amounted to £5,800 (2017: £51,000). Social security costs associated with these emoluments totalled £54,000 (2017: £77,000).

The emoluments of the highest paid director were £306,000 (2017: £358,000). No directors were accruing benefits under company money purchase pension schemes (2017: nil).

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 TAXATION

	2018 £000	2017 £000
<i>Tax included in statement of comprehensive income</i>		
UK corporation tax has been charged at 19% (2017: 19%/20%). The tax charge is analysed as follows:		
UK corporation tax on profits of the year	-	126
Adjustment in respect of prior years	(61)	-
Total current tax	(61)	126
Movement in deferred tax asset (note 16)	(503)	249
Movement in deferred tax liability (note 21)	(80)	(1,023)
Total tax included in profit or loss	(644)	(648)

Reconciliation of tax charge

The tax assessed for the year differs from the effective rate of corporation tax in the UK of 19% (2017: 19%/20%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	4,863	5,287
Profit on ordinary activities multiplied by the effective rate of UK taxation of 19% (2017: 19%/20%)	924	1,026
Movement in indexation on revalued gains	-	(1,315)
Other fixed asset differences	(213)	(190)
Group relief claimed	(1,114)	(332)
Non-deductible expenses	163	58
Losses not utilised	(503)	-
Adjust deferred tax provisions to effective rate	92	108
Adjustments in respect of prior years	(61)	-
Other timing differences	(68)	(3)
Total tax charge in profit or loss	(644)	(648)

At 31 December 2018 the group had approximately £14,047,000 (2017: £10,416,000) of cumulative tax losses available to carry forward against future trading profits. A deferred tax asset of £2,388,000 (2017: £1,775,000) has been recognised by the group in respect of these losses (see note 16).

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

11 INVESTMENT PROPERTIES

Group	Investment properties £'000
Fair value at 1 January 2018	282,400
Additions	1,812
Disposals	(4,593)
Fair value gains	2,781
Fair value at 31 December 2018	282,400

Investment properties are stated at market value and are valued annually by the directors. In valuing the assets the directors have concluded that there is a clear distinction between reversionary portfolios (those portfolios containing leases which have fewer than 100 years remaining on the lease) and non-reversionary portfolios (those portfolios containing leases which have more than 100 years remaining on the lease). This distinction is reflected in the fact that the reversionary portfolios are funded by equity and the non-reversionary portfolios by debt.

In valuing the non-reversionary portfolios the directors have drawn on all available appropriate evidence to shape their judgement, including cash flow models, valuations and calculations of worth prepared by independent professional advisors. In valuing the reversionary portfolios the directors have drawn on all available appropriate evidence to shape their judgement, including valuations and calculations of worth prepared by independent professional advisors.

The historical cost of the investment properties was £118,415,000 (2017: £117,606,000). All investment properties are freehold.

12 INTANGIBLE FIXED ASSETS

Group	Software £'000
Cost	
At 1 January 2018	601
Additions	121
At 31 December 2018	722
Amortisation	
At 1 January 2018	515
Charge for the year	50
Write downs	8
At 31 December 2018	573
Net book value	
At 31 December 2018	149
At 31 December 2017	86

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 TANGIBLE FIXED ASSETS

Group

	Leasehold improvements £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2018	334	106	121	561
Additions	50	7	19	76
At 31 December 2018	384	113	140	637
Depreciation				
At 1 January 2018	312	88	109	509
Charge for the year	25	9	6	40
Write downs	32	3	12	47
At 31 December 2018	369	100	127	596
Net book value				
At 31 December 2018	15	13	13	41
At 31 December 2017	22	18	12	52

14 FIXED ASSET INVESTMENTS

Group

Other investments	£000
Cost and net book value:	
At 1 January and 31 December 2018	-

Company

	2018 £000	2017 £000
Cost and net book value:		
Investments in subsidiary undertakings	59,017	44,558
	59,017	44,558

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Acquisition of Gray's Inn Holdings Limited

On 12 July 2018, the company acquired 100% of the share capital of Gray's Inn Holdings Limited, a ground rent investment and management business. The consideration paid was £14,459,000. The following table sets out the fair values of the identified assets and liabilities to the group.

	Fair Value £000
Other fixed assets	55
Stock	116,835
Debtors	1,425
Deferred tax asset	110
Current asset investments	3,841
Agreed deferred consideration	800
Cash	9,455
Total assets	132,521
Loan notes	(99,506)
Other creditors	(6,310)
Deferred tax	(12,246)
Total liabilities	(105,816)
Total net assets	14,459
Represented by:	
Cash paid	13,659
Deferred consideration	800
	14,459

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Wallace Estates Limited	England & Wales	Ordinary	100
Wallace Partnership Reversionary Group Holdings Limited	England & Wales	Ordinary	100
Simarc Property Management Limited	England & Wales	Ordinary	100
MB2005 No 1 Limited	England & Wales	Ordinary	100
WEL (No 1) Limited	England & Wales	Ordinary	100
WEL (No 2) Limited	England & Wales	Ordinary	100
WEL (No 3) Limited	England & Wales	Ordinary	100
WEL (No 4) Limited	England & Wales	Ordinary	100
Gray's Inn Holdings Limited	England & Wales	Ordinary	100

Details of investments held by Wallace Estates Limited, Wallace Partnership Reversionary Group Holdings Limited, Gary's Inn Holdings Limited and Simarc Property Management Limited are listed in the financial statements of those companies.

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

In the opinion of the directors, the aggregate value of the investments in subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

15 STOCK

	2018	2017
Group	£000	£000
Trading stocks of ground rent portfolios	119,066	2,411

16 DEBTORS

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Amounts owed by group undertakings	-	9,296	-	9,295
Corporation tax	746	-	-	-
Deferred tax	2,388	-	1,775	-
Other debtors	85,649	59	91,149	6,423
	88,783	9,355	92,924	15,718

Deferred tax assets have been recognised in the year in respect of costs incurred the taxable benefit of which will fall due in future years and in respect of unutilised tax losses being carried forward to future years.

17 CURRENT ASSET INVESTMENTS

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Fixed term agreements	11,066	-	7,970	-

The group has entered into three fixed term agreements with its bankers to help manage its cash flow risk under its loan note obligations disclosed in note 19. The first agreement results in regular predefined amounts being paid to the group over the term of the agreement to 2028. The directors estimate that under this agreement £539,000 (2017: £556,000) will be received within one year. The second agreement is a deposit of £4,034,000 linked to the Retail Price Index which matures in 2022 (2017: £4,034,000). The third agreement is a series of deposits resulting in regular pre-defined amounts being paid to the group over the term of the agreement to 2029. The directors estimate that under this agreement £607,000 (2017: £308,000) will be received within one year.

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 CREDITORS: Amounts falling due within one year

	2018		2017	
	Group	Company	Group £000	Company £000
Loan notes	1,652	-	1,637	-
Trade creditors	60	-	13	-
Amounts owed to group undertakings	-	24,932	-	22,374
Corporation tax	-	-	126	-
Other taxation and social security	111	-	68	-
Other creditors	436	-	76	-
Accruals & deferred income	10,177	-	5,570	-
	<u>12,436</u>	<u>24,932</u>	<u>7,490</u>	<u>22,374</u>

19 CREDITORS: Amounts falling due after one year

	2018		2017	
	Group	Company £000	Group £000	Company £000
Loan notes	338,245	-	238,021	-
Loan from associated undertaking	5,273	5,273	-	-
	<u>343,518</u>	<u>5,273</u>	<u>238,021</u>	<u>-</u>

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018 £000	2017 £000
Analysis of borrowings:		
<i>Wallace Estates Limited loan notes</i>		
Series A RPI linked notes wholly repayable within five years	4,850	4,850
Series A RPI linked notes not wholly repayable within five years	42,835	42,216
Series B1 fixed rate notes not wholly repayable within five years	47,500	47,500
Series B2 fixed rate notes not wholly repayable within five years	51,957	51,957
Issue costs	(2,065)	(2,113)
<i>Wallace Partnership Reversionary Group Holdings Limited loan notes</i>		
Series A RPI linked notes wholly repayable within five years	1,981	2,223
Series C fixed rate notes wholly repayable within five years	1,318	1,377
Series A RPI linked notes not wholly repayable within five years	19,159	18,666
Series B fixed rate notes not wholly repayable within five years	8,650	8,650
Series C fixed rate notes not wholly repayable within five years	64,548	64,722
Discount to issuance	(257)	(275)
Issue costs	(121)	(115)
<i>Gray's Inn Capital Limited loan notes</i>		
Fixed rate notes not wholly repayable within five years	50,000	50,000
Discount to issuance	(638)	(655)
Issue costs	(1,672)	(1,710)
<i>Gray's Inn Capital 2 Limited loan notes</i>		
Series A RPI linked notes wholly repayable within five years	499	499
Series A RPI linked notes not wholly repayable within five years	6,862	6,970
Series B fixed rate notes not wholly repayable within five years	32,038	31,596
Series C fixed rate notes not wholly repayable within five years	10,048	9,460
Premium to issuance	4,031	4,188
Issue costs	(1,626)	(1,655)
Loan from associated undertaking	5,273	-
	<u>345,170</u>	<u>338,351</u>

On 15 February 2012 the company's subsidiary Wallace Estates Limited issued £45,631,000 Series A RPI-linked Notes due 2063 at an interest rate of 1.55%, £47,500,000 Series B1 fixed rate Notes due 2054 at a rate of 4.94% and £51,957,000 Series B2 fixed rate Notes due 2063 at a rate of 4.94%. The proceeds were used in part to repay the funds advanced by the company. The company used these funds to repay a proportion of the secured term facility.

On 6 March 2017 the company's subsidiary Wallace Partnership Reversionary Group Holdings Limited issued £20,400,000 Series A RPI-linked Notes due 2074 at an interest rate of 0.25%, £8,650,000 Series B fixed rate Notes due 2074 at a rate of 3.285% and £66,100,000 Series C fixed rate Notes due 2064 at a rate of 3.208%. The proceeds were used to fund in part the acquisition of the shares in the company.

On 13 July 2018 the company acquired Gray's Inn Holdings Limited and subsidiaries in which loan notes were already in issue and detailed as follows;

On 21 February 2013 the company's subsidiary Gray's Inn Capital Limited issued £50,000,000 fixed rate notes due 2063 at a rate of 5.1022%.

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

On 20 July 2016 the company's subsidiary Gray's Inn Capital 2 Limited issued £7,137,000 Series A RPI-linked notes due 2082 at an interest rate of 0.75%, £31,596,326 Series B fixed rate Notes due 2082 at a rate of 3.8% and £9,460,453 Series C fixed rate Notes due 2082 at a rate of 4%.

These Notes are not repayable by instalments. Directly attributable costs of issuing the Notes referred to above have been set off against the outstanding balance and written off over the life of the Notes.

The loan from the associated undertaking bears interest at 1.25% over base rate and is repayable in 2023.

20 FINANCIAL INSTRUMENTS

	2018 £000	2017 £000
Financial assets that are debt instruments measured at amortised cost:		
Other debtors	85,649	91,149
Fixed term agreements	7,533	7,970
	<u>93,182</u>	<u>99,119</u>
Financial liabilities measured at amortised cost:		
Loan notes	(339,897)	(242,161)
Trade creditors	(60)	(13)
Other creditors	(436)	(76)
	<u>(340,393)</u>	<u>(242,250)</u>

21 PROVISIONS FOR LIABILITIES Group

	Deferred taxation £000
Balance at 1 January 2018	22,043
Arising on acquisitions	12,246
Profit or loss	(80)
Balance at 31 December 2018	<u>34,209</u>

Deferred taxation recognised in the financial statements is as follows:

	2018 £000	2017 £000
Accelerated capital allowances	-	6
Deferred tax on assets measured at fair value	34,209	22,037
	<u>34,209</u>	<u>22,043</u>

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Deferred tax is recognised on gains on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. At present, it is not envisaged that any tax will become payable within the next twelve months.

22	SHARE CAPITAL AND RESERVES	2018	2017
		£	£
	Authorised		
	11,400 ordinary shares of £1 each	11,400	11,400
		<hr/>	<hr/>
	Allotted, called up and fully paid		
	10,800 ordinary shares of £1 each	10,800	10,800
		<hr/>	<hr/>

A dividend of £1,500,000 was paid by the company during the year (2017: £nil per share). The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

In 2012 the group underwent an internal restructuring. A number of the group's subsidiaries generated profits resulting from intercompany transactions which were then paid by way of dividend to the company. As these are non-distributable they have been credited to a separate capital reserve in the books of the company in accordance with the Companies Act 2006.

Fair value gains on the revaluation of investment properties are not distributable and therefore an amount equal to such gains is transferred from retained earnings to a separate reserve. Gains realised through disposals of investment properties are transferred back from this reserve to retained earnings.

Retained earnings is the cumulative profit and loss, net of distribution to owners.

23 COMMITMENTS UNDER OPERATING LEASES

At 31 December the group had total commitments under non-cancellable operating leases as follows:

	2018	2017
	£000	£000
Expiry date:		
Within one year	230	241
Between one and five years	768	999
	<hr/>	<hr/>
	998	1,240
	<hr/>	<hr/>

24 CONTINGENT LIABILITIES

Certain subsidiaries of the company have entered into a cross guarantee in respect of the loan notes issued by the company's subsidiary Wallace Estates Limited. The assets of these subsidiaries are pledged as security, by way of a fixed and floating charge. The total group liability as at 31 December 2018 in respect of the loan notes was £145,142,000 (2017: £146,523,000).

The company has entered into a cross guarantee with certain fellow group undertakings in respect of loan notes issued by the company's subsidiary, Wallace Partnership Reversionary Group Holdings Limited. The assets of the company are pledged as security, by way of a fixed and floating charge. The total group liability as at 31 December 2018 was £95,399,000 (2017: £95,364,000).

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

25 CAPITAL COMMITMENTS

At 31 December 2018, the group had capital commitments totalling £336,000 (2017: £398,000) relating to the acquisition of a property.

26 CONTROL

The company is under the control of Perseverance Limited, which is registered in Gibraltar.

The immediate parent undertaking of the company is Albanwise Limited, which is based in the United Kingdom. Consolidated accounts have been prepared for Albanwise Limited, which heads the largest group of undertakings for which accounts have been drawn up. These are available from the registered office. The ultimate parent undertaking of the company is Perseverance Limited, which is registered in Gibraltar.

27 RELATED PARTY TRANSACTIONS

Included in other debtors is a balance of £83,085,000 (2017: £89,678,000) due from Phragmites Limited. The balance bears interest at a rate of 0.75% per annum and is repayable on demand. Interest earned on these advances totalled £473,000 (2017: £183,000). Phragmites Limited was related to the group as it is under the control of Perseverance Limited.

Wallace Partnership Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

28 NOTES TO THE CASH FLOW STATEMENT

	2018 Group	2017 Group
Reconciliation of profit for the financial year to net cash generated from operating activities	£000	£000
Profit for the financial year	5,507	5,935
Taxation on profit on ordinary activities	(644)	(648)
Net interest expense	11,933	11,572
Operating profit	16,796	16,859
Fair value gains on investment properties	(2,780)	(2,163)
Profit on disposal of investment properties	(842)	(1,152)
Amortisation of intangible fixed assets	51	123
Depreciation of tangible fixed assets	88	79
Amortisation of issue costs	103	70
Amortisation of loan discount	(380)	-
Amortisation of loan premium	373	-
Write down of investment properties following lease extensions	1,684	1,469
Decrease in stocks	181	146
Decrease/(increase) in debtors	363	(141)
Decrease in creditors	(1,665)	(201)
Net cash flow from operating activities	13,972	15,089

	2018 Group	2017 Group
Analysis of net debt		£000
Cash at bank and in hand	35,953	24,999
Current asset investments	11,066	7,970
Loan notes	(342,245)	(242,161)
Loan from associated undertaking	(5,273)	-
	(300,499)	(209,192)

Movements in debt

	Current Investments £000	Loan notes £000	Loan from associated undertaking £000	Total £000
As at 1 January 2018	7,970	(242,161)	-	(234,191)
Withdrawals	(864)	-	-	(864)
Loans drawn down	-	-	(5,273)	(5,273)
Acquired current asset investments	3,841	-	-	3,841
Acquired loan notes	-	(99,447)	-	(99,447)
Loan notes repaid	-	1,689	-	1,689
Uplift on rpi-indexed debt	119	(2,326)	-	(2,207)
As at 31 December 2018	11,066	(342,245)	(5,273)	(336,452)