Get Living London EV N09 Limited

Annual report and financial statements

For the year ended 31 March 2019

Company Registration No. 08613940

Get Living London EV N09 Limited
Annual report and financial statements for the year ended 31 March 2019

Contents

Company Information

Directors

Ann Hodgetts

Mabel Tan

Mashood Ashraf

DV4 Administration Limited

Registered office

6th Floor Lansdowne House
Berkeley Square
London
W1J 6ER
United Kingdom

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

Directors' Report

The Directors present the annual report and the audited financial statements for the year ended 31 March 2019.

Directors

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

- DV4 Administration Limited
- Jeremy Martin Holmes (resigned 18 July 2019)
- Abdulla Al-Ajail (appointed 9 August 2018, resigned 18 July 2019)
- Stafford Murray Lancaster (appointed 9 August 2018, resigned 18 July 2019)
- James William Jeremy Ritblat (appointed 9 August 2018, resigned 18 July 2019)
- Gawain Sydney Edward Smart (appointed 30 August 2018, resigned 18 July 2019)
- Ann Hodgetts (appointed 20 February 2019)
- Mabel Tan (appointed 1 January 2019)
- Mashood Ashraf (appointed 18 July 2019)

Principal activities

The Company is incorporated and registered in the United Kingdom under the Companies Act 2006 as a private company limited by shares. The principal activity of the Company is the letting of investment property at East Village, London E20 to private residential tenants and small number of retail tenants.

Results and dividends

The profit for the year amounted to £189k (2018: £147k) before tax and £773k (2018: £112k) after tax.

The Directors do not recommend payment of an ordinary dividend for the year (2018: £nil).

Principal risks and uncertainties

In the opinion of the Directors, the major risks faced by the Company relate to fluctuations in the residential rental market and the property market generally. The Directors believe the excellent location and infrastructure in place at Stratford mitigate some of these concerns.

The Company is also exposed to the following specific risks:

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company aims to mitigate liquidity risk by maintaining adequate banking facilities.

Credit risk
The Company services the private rental property sector as it rents its investment properties to third party private residents. The private property industry is highly competitive and relies on payment of financial obligations by private individuals, whose economic circumstances can alter from time to time. If a tenant experiences financial difficulties this may result in arrears which, ultimately, are chased through a legal process which can end in repossession of the property. The Directors mitigate this risk by conducting comprehensive credit checks prior to tenancy commencement and will insist on guarantors as required. For those tenants that do not pass credit checks, the Company requires receipt of a deposit prior to tenancy commencement and will insist on guarantors as required.

Directors' Report (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company has no significant assets or liabilities denominated in currencies other than Pounds Sterling and was therefore not exposed to currency risk at the reporting date.

Interest rate risk

The Company's interest-bearing financial assets and liabilities expose it to risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company makes use of derivative financial instruments where possible to mitigate the its overall exposure to such movements.

Going concern

The financial statements have been prepared on a going concern basis even though the Company has net current liabilities. In considering whether this is appropriate, the Directors have taken into account the following:

- the Company has received confirmation from its ultimate parent, Get Living PLC, that it will provide financial support to assist the Company to meet its obligations as they fall due for at least 12 months from the date of approval of these financial statements

The Directors have considered the ability of Get Living plc (the 'Group') to provide this support even though the Group has net current liabilities, arising primarily as a result of the requirement to repay the Murabaha loan of £350 million in October 2019. The Directors concluded the Group was able to provide the required support due to the following:

The Directors of the Group have referred to cash flow forecasts for a period greater than twelve months from the date of approval of these financial statements in order to assess the capital requirements of the Group over that period. The Directors of the Group have taken into account the following:

- The Group has available funding facilities for committed development expenditure through senior debt facilities agreed with Homes England Build to Rent scheme of £181m and mezzanine bank debt of £140m;
- As at 31 March 2019, the Group owns investment property with a fair value of £1,777m, has net assets of £1,071m and holds unrestricted cash balances of £51m giving the group good security to provide for the purpose of obtaining additional financing facilities;
- The Group is in negotiations with lenders for a new ten-year loan facility to re-finance the Murabaha loan, which matures in October 2019.

At the time of approving these financial statements, a term sheet has been agreed with a lender, however, a facility agreement has not been signed. The Directors have considered the signed term sheet and progress of negotiations and are confident a new facility will be arranged. The Directors therefore have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future and consider it appropriate to prepare these financial statements on a going concern basis.

Directors' Report (continued)

Going concern (continued)

However, the Directors of the Company have taken account of the material risk and uncertainty as to whether the Group's negotiations with lenders will result in a successful outcome enabling the repayment of the Group's existing Murabaha facilities. The Group's ability to provide financial support to the Company is contingent on the successful refinancing of the loan. This represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The Directors of the Company are confident of the Group's ability to successfully complete negotiations due to the quality of the assets held by the Group and available as security, the interest from potential lenders in participating in the financing and that there are no breaches of covenants and the properties are let as planned.

The Directors therefore consider it appropriate to prepare the Company's accounts on a going concern basis.

The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are shown above. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' indemnity

The Company has in place appropriate Directors' and Officers' liability insurance cover in respect of potential legal action against its Directors. These indemnities are qualifying third-party indemnity provisions as defined by Section 234 of the Companies Act 2006. The indemnities were valid throughout the period and are currently valid.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Small companies' exemption

In preparing the report and financial statements, the Directors have taken advantage of the small companies' exemption provided under the Companies Act 2006. The Directors have also taken advantage of the exemption provided under Section 414B of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 for the requirement to produce a Strategic Report for the year.

Directors' Report (continued)

Subsequent events

On 5 September 2019, an agreement was signed with Masraf Al Rayan to extend the maturity date of the Murabaha debt facility to 31 October 2019.

Approved by the Board of Directors and signed on behalf of the Board.

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Mabel Tan
Director
Date: 20 September 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable UK 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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditor's Report to the Members of Get Living London EV N09 Limited

Opinion

We have audited the financial statements of Get Living London EV N09 Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21, 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 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 below. 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.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that in assessing going concern the Directors have taken account of the material uncertainty as to whether the ultimate parent entity, Get Living PLC, will be able to provide financial support for at least 12 months from the date of approval of these financial statements. This is contingent upon Get Living PLC successfully completing negotiations to refinance the Murabaha facilities which are due for repayment in October 2019. As stated in note 2, this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 this 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 the other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's Report to the Members of Get Living London EV N09 Limited (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Ernst & Young LLP

Daniel Saunders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 20/9/19

Statement of comprehensive income

	Notes	2019 £000	2018 £000
Rental income	4	**1,136**	1,164
Direct costs		**(218)**	(230)
Net rental profit		**918**	934
Administrative expenses		**(94)**	(196)
Valuation gain on investment property	8	**455**	17
Operating profit	5	**1,279**	755
Net interest payable and similar costs	6	**(1,090)**	(608)
Profit on ordinary activities before taxation		**189**	147
Taxation	7	**584**	(35)
Profit for the year		**773**	112
Other comprehensive income		**-**	-
Total comprehensive income for the year		**773**	112

Statement of financial position

	Notes	2019 £000	2018 £000
Fixed assets			
Investment property	8	**23,850**	22,843
Tangible fixed assets	9	**15**	14
		23,865	22,857
Current assets			
Debtors	10	**1,562**	1,190
		1,562	1,190
Current liabilities			
Trade and other payables	11	**(833)**	(765)
Loans and borrowings	15	**(10,245)**	(4,967)
Derivative financial instruments	12	**(49)**	
Net current liabilities		**(9,565)**	(4,542)
Total assets less current liabilities		**14,300**	18,315
Non-Current liabilities			
Finance lease	13	**(1,161)**	(1,130)
Loans and borrowings	15	**(2,516)**	(8,947)
Derivative financial instruments	12	-	(139)
Deferred tax liabilities	7	-	(584)
Provisions	14	**(488)**	-
		(4,165)	(10,800)
Net assets		**10,135**	7,515
Capital and reserves			
Share capital	16	-	-
Capital contribution	17	**5,672**	3,825
Retained earnings		**4,463**	3,690
Total equity		**10,135**	7,515

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the Board of Directors for issue on 20 September 2019 and were signed on its behalf by:

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Mabel Tan

Director
Company Registration No. 08613940

Statement of changes in equity

	Share capital	Capital contribution	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**
As at 1 April 2017	-	3,825	3,578	7,403
Total comprehensive income for the year	-	-	112	112
Balance as at 31 March 2018	-	3,825	3,690	7,515
Capital contribution	-	1,847	-	1,847
Total comprehensive income for the year	-	-	773	773
As at 31 March 2019	**-**	**5,672**	**4,463**	**10,135**

Notes to the financial statements

1. Statement of compliance with FRS 101

These Company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and under the historical cost convention as modified by the revaluation of investment properties and derivative financial liabilities measured at fair value through the statement of comprehensive income, in accordance with the Companies Act 2006.

2. Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2019. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures - the management of financial risk disclosures including management of credit, liquidity, and market risk and interest rate sensitivity analysis;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement– disclosures around fair values of assets and liabilities;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraphs 76 and 79(d) of IAS 40 Investment Property;
- the requirements of paragraphs 10(d), 16, 111 and 134-136 of IAS 1 Presentation of Financial Statements – presentation of statement of cash flows, explicit and unreserved statement of compliance with IFRS as adopted by the EU and disclosures of the Company's objectives, policies and processes for managing capital;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - disclosure of new accounting standards and interpretations that have been issued but are not yet effective;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures – disclosure relating to compensation of key management personnel; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between the parent and wholly-owned subsidiaries.

Notes to the financial statements (continued)

2. Basis of preparation (continued)

Going concern

The financial statements have been prepared on a going concern basis even though the Company has net current liabilities. In considering whether this is appropriate, the Directors have taken into account the following:

- the Company has received confirmation from its ultimate parent, Get Living PLC, that it will provide financial support to assist the Company to meet its obligations as they fall due for at least 12 months from the date of approval of these financial statements

The Directors have considered the ability of Get Living plc (the 'Group') to provide this support even though the Group has net current liabilities, arising primarily as a result of the requirement to repay the Murabaha loan of £350 million in October 2019. The Directors concluded the Group was able to provide the required support due to the following:

The Directors of the Group have referred to cash flow forecasts for a period greater than twelve months from the date of approval of these financial statements in order to assess the capital requirements of the Group over that period. The Directors of the Group have taken into account the following:

- The Group has available funding facilities for committed development expenditure through senior debt facilities agreed with Homes England Build to Rent scheme of £181m and mezzanine bank debt of £140m;
- As at 31 March 2019, the Group owns investment property with a fair value of £1,777m, has net assets of £1,071m and holds unrestricted cash balances of £51m giving the group good security to provide for the purpose of obtaining additional financing facilities;
- The Group is in negotiations with lenders for a new ten-year loan facility to re-finance the Murabaha loan, which matures in October 2019.

At the time of approving these financial statements, a term sheet has been agreed with a lender, however, a facility agreement has not been signed. The Directors have considered the signed term sheet and progress of negotiations and are confident a new facility will be arranged. The Directors therefore have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future and consider it appropriate to prepare these financial statements on a going concern basis.

However, the Directors of the Company have taken account of the material risk and uncertainty as to whether the Group's negotiations with lenders will result in a successful outcome enabling the repayment of the Group's existing Murabaha facilities. The Group's ability to provide financial support to the Company is contingent on the successful refinancing of the loan. This represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The Directors of the Company are confident of the Group's ability to successfully complete negotiations due to the quality of the assets held by the Group and available as security, the interest from potential lenders in participating in the financing and that there are no breaches of covenants and the properties are let as planned.

The Directors therefore consider it appropriate to prepare the Company's accounts on a going concern basis.

The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Notes to the financial statements (continued)

3. Summary of significant accounting policies

a) Investment property

Investment property is initially recognised at cost (including transaction costs) and subsequently measured at fair value. Gains or losses arising from changes in fair value of investment property are included in the statement of comprehensive income in the period in which they arise. No depreciation or amortisation is provided in respect of investment property.

Variable consideration relating to the purchase of a property is recognised when it is probable that the Group will be required to settle the obligation and the amount of consideration payable can be reliably estimated. When the liability is recognised it is capitalised to the cost base of the property to which it relates. Any future changes in the liability are capitalised to the cost base of the property.

b) Revenue recognition

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the lease.

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018 using the modified retrospective approach. IFRS 15 is applicable to service charge income and other property related income. The income from operating leases continues to be recognised in accordance with IAS 17 Leases. The adoption of the new standard has not impacted the Company's Statement of Comprehensive Income or Balance Sheet.

Rental income in the Statement of Comprehensive Income includes revenue earned from services and products provided to customers as part of the Company's all-inclusive leases. Management have performed an assessment on the terms of the all-inclusive leases and deemed the revenue allocated to additional goods and services not to be material.

c) Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax is the expected tax payable on any non-REIT taxable income for the period, using tax rates applicable at the balance sheet date, and any adjustment to tax payable in respect of previous years.

d) Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation. Depreciation of residential fixture and fittings, retail assets, and office fixtures and fittings is charged at 25% per annum on a straight line basis. Plant and machinery is depreciated between 10%-25% on cost per annum, dependent on the asset's useful life. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may be greater than its value in use.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

e) Debtors

Debtors are initially recognised on the balance sheet at fair value when the Company has become party to the contractual provisions of the instruments.

They are subsequently carried at amortised cost using the effective interest rate method if the time value of money may have a significant impact on their value.

The Company must make judgements on the recoverability of its trade and other receivables at the reporting date and has a policy of providing for impairment based on the expected credit loss model. The Company assesses on a forward-looking basis the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses the Company takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making a payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which customers operate. The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows. The movement in the provision is recognised in the statement of comprehensive income.

Trade receivables balances are written off when the probability of recovery is assessed as being remote.

f) Interest-bearing and profit-bearing loans

Obligations for bank loans are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and profit-bearing loans are subsequently measured at amortised cost using the effective interest method. The discount between the redeemable amount and the net proceeds is accreted over the term of the bonds and charged to the statement of comprehensive income.

In the year ended 31 March 2015, the Company entered into a Murabaha loan to finance the purchase of the investment property. The quarterly profit element payable on this transaction is treated as interest payable within these accounts, in accordance with recommended accounting practice.

g) Interest free loans

Obligations for interest free intercompany loans are recognised when the Company becomes party to the related contracts and are measured initially at the fair value represented by the present value of future cash flows discounted at market interest rate. An equity capital contribution is recognised, being the difference between the fair value of the present value of future cash flows and the consideration advanced.

After initial recognition, interest free intercompany loans are subsequently measured at amortised cost using the effective interest method. The discount between the redeemable amount and the net proceeds is accreted over the term of the loan and charged to the statement of comprehensive income.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

h) Financial Instruments: Classification and Measurement

The Company adopted IFRS 9 Financial Instruments on 1 April 2018 using the modified retrospective approach. Trade and other receivables are classified as financial assets at amortised cost in line with IFRS 9. They are initially measured at fair value and then subsequently measured at amortised cost. Classification is determined by the nature of the cash flows of the assets and the business model in which they are held. The impairment requirements are based on a forward-looking expected credit loss (ECL) model. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss, including lease receivables and any contract assets. The Company does not apply hedge accounting nor does it hold any assets classified as fair value through profit and loss (FVTPL).

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables and loans and borrowings which are held at amortised costs; and derivative financial instruments which are held at FVTPL.

i) Derivative financial instruments

The Company uses a derivative financial instrument to hedge its exposure to movements in the profit-bearing loans. The derivative is initially recognised at fair value and subsequently re-measured to its prevailing fair value at each reporting date. Changes in the fair value of the derivative financial instrument are recognised as income or expense in the statement of comprehensive income as they arise.

The Company does not apply hedge accounting.

j) Leases - Company as lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the present value of the minimum lease payments.

Long leasehold properties are included in the statement of financial position at fair value increased for the obligation for the present value of minimum future lease payments at inception. The finance charge is allocated each period during the lease term so as to produce a consistent periodic rate of interest on the remaining balance of the liability.

k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost, except on variable consideration on property acquisitions – see policy on 'Investment Property'.

Notes to the financial statements (continued)

4. Revenue

Rental income primarily arises from private tenant leases under Assured Shorthold Tenancy (AST) agreements. These lease agreements range from 1 to 3 years in tenure with a 6 month break clause on the tenant side. The terms of these tenancies are regularly reviewed by management. The Company has also issued leases for retail units, having terms of between 5 and 25 years with agreed break clauses, which are located within the investment properties.

	2019	2018
	£000	£000
Minimum lease receivable:		
Within one year	442	355
Between two and five years	178	178
After more than 5 years	134	178
	754	711

5. Operating profit

Operating profit is stated after charging:

	2019	2018
	£000	£000
Auditor's remuneration	2	2
Depreciation	7	59

Directors' remuneration

The Directors of the Company are also directors of other entities controlled by the shareholders (see note 18). For the current period, the Directors received no remuneration or reimbursements from Get Living London EV N09 Limited for their services as directors of the Company.

6. Net interest payable and similar costs

	2019	2018
	£000	£000
Profit payable on Murabaha loan	425	425
Change in fair value of derivatives	(91)	(201)
Interest payable on intercompany loan	555	308
Imputed interest charge on interest fee intercompany loan	122	-
Amortised arrangement fees	14	14
Finance lease charges	61	60
Other finance cost	4	2
	1,090	608

Notes to the financial statements (continued)

7. Taxation

	2019	2018
	£000	£000
Current tax charge	-	-
Deferred tax (credit)/charge	(584)	35
Tax (credit)/charge	(584)	35

	2019	2018
	£000	£000
Factors affecting the tax (credit)/charge for the year:		
Profit before taxation	189	147
Profit before taxation multiplied by standard rate of UK corporation tax of 19% (2018: 19%)	36	28
Effect of:		
Excess of capital allowances recognised over depreciation	1	11
Non-deductible expenses	(158)	-
Difference between accounting and tax base cost of investment properties	-	(86)
Effects of movement in future tax rates		-
Movement in recognised losses		62
Group relief	89	(97)
Other tax adjustments	54	117
Exempt income	(22)	-
Reversal of deferred tax liabilities following REIT conversion	(584)	-
Tax (credit)/charge	(584)	35

Exempt income refers to property rental income that is exempt from UK corporation tax in accordance with Part 12 of CTA 2010. In addition, no provision is made for deferred tax in relation to the revaluation of property as gains will also be exempt from UK corporation tax under Part 12 of CTA 2010.

	2019	2018
	£000	£000
Deferred tax liabilities		
At 1 April	584	549
(Credited)/charged to the statement of comprehensive income	(584)	35
At 31 March	-	584

Notes to the financial statements (continued)

7. Taxation (continued)

	2019	2018
	£000	£000
Deferred tax liability comprises		
Revaluation of investment property	-	623
Unutilised tax losses and other temporary differences	-	(39)
	-	584

The Company, together with other members of Get Living PLC, is subject to taxation as a Real Estate Investment Trust (REIT). Under the REIT regime, income from its rental business (calculated by reference to tax rather than accounting rules) and chargeable gains from the sale of its investment properties are exempt from corporation tax. The Company continues to be subject to corporation tax on any other activities. The directors expect that future profits will be derived principally from the Company's rental business so that the tax charge in future years will be minimal.

8. Investment property

	2019	2018
	£000	£000
At 1 April	**22,843**	22,826
Fixtures and fittings	**59**	-
Additional acquisition costs (ODA overage – see note 14)	**493**	-
Fair value adjustments	**455**	17
At 31 March	**23,850**	22,843

	2019	2018
	£000	£000
Fair value	**22,689**	21,713
Finance lease separately recognised (see note 13)	**1,161**	1,130
At 31 March	**23,850**	22,843

The fair value of investment property of £22.7m (2018: £21.7m) principally includes leasehold residential property.

The fair values of these leasehold residential properties are third party valuations of the freehold site containing the property held by this Company at 31 March 2019 in accordance with RICS Valuation Standards, Sixth Edition in the United Kingdom by CBRE Limited, who are qualified for the purpose of the valuation in accordance with the RICS valuation standard. That amount is allocated to this property based on the size of the building, less an amount, estimated by the Directors, representing the value of the head lease payments due to the head lease holder. All investment properties are held under lease agreements of 125 years.

The comparable cost of investment property determined under historical cost is £17.1m (2018: £16.6m).

Notes to the financial statements (continued)

9. Tangible fixed assets

	Residential Fixture & Fittings	Retail Assets	Total
	£000	**£000**	**£000**
At Cost			
At 1 April 2017	224	8	232
Additions in the year	7	-	7
At 31 March 2018	231	8	239
Additions in the year	-	8	8
De-recognition	(217)	-	(217)
At 31 March 2019	**14**	**16**	**30**
Depreciation			
At 1 April 2017	(163)	(3)	(166)
Charge for the year	(57)	(2)	(59)
As at 31 March 2018	(220)	(5)	(225)
Charge for the year	(4)	(3)	(7)
Eliminated on de-recognition	217	-	217
As at 31 March 2019	**(7)**	**(8)**	**(15)**
Net Book values			
At 31 March 2019	**7**	**8**	**15**
At 31 March 2018	11	3	14

Assets which reached the end of their useful life as at 31 March 2019 have been de-recognised from the fixed asset register. No gain or loss was made on de-recognition.

Notes to the financial statements (continued)

10. Debtors

	2019	2018
	£000	£000
Trade debtors	11	17
Allowance for doubtful debts	(5)	(5)
	6	12
Prepayments	3	9
Accrued income	29	33
Amounts due from group undertakings	1,522	1,136
Other taxes	2	
	1,562	1,190

Trade debtors are non-interest bearing.

Trade debtors are lease receivables due from residents. Allowance for doubtful debts was calculated using the expected credit loss model. Management seeks to collect all trade debtors.

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11. Trade and other payables

	2019	2018
	£000	£000
Trade creditors	9	37
Deferred income	199	45
Other creditors	50	174
Amounts due to group undertakings	575	509
	833	765

Trade creditors are non-interest bearing and are normally settled in accordance with the Company's terms of business.

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12. Derivative financial instruments

The movement in the fair value of the derivative financial instruments is as follows:

	2019	2018
	£000	£000
At 1 April	139	340
Change in fair value of derivatives	(90)	(201)
At 31 March	49	139

Notes to the financial statements (continued)

12. Derivative financial instruments (continued)

In the year ended 31 March 2015 the Company entered into a swap arrangement to swap floating rate profit payable on its Murabaha loan to a fixed rate. The swap has a non-amortising notional principal of £9m from inception in August 2014 through to maturity in October 2019 and fixes the profit at an effective rate of 4.67%.

All of the financial derivatives included in the above table were valued by external consultants using a discounted cash flow model and market information.

13. Finance lease liabilities

The Company holds leasehold property that it classifies as investment property. The leases are accounted for as finance leases. These leases have lease terms of 125 years and rent increases by 33% every ten years. Future minimum lease payments under finance leases are as follows:

	2019		2018	
	Gross investment	**Present value**	Gross investment	Present value
	£000	**£000**	£000	£000
Future minimum lease payments due:				
Within one year	**30**	-	30	-
Between one to two years	**30**	-	30	-
After two years but not more than five years	**101**	-	91	-
More than five years	**32,231**	**1,161**	32,271	1,130
	32,392	**1,161**	32,422	1,130
Less: finance charges allocated to future periods	**(31,231)**	-	(31,292)	-
Present value of minimum lease payments	**1,161**	**1,161**	1,130	1,130

14. Provisions

A settlement deed has been negotiated between the ultimate parent Get Living PLC and The Secretary of State for Digital Culture Media and Sport ("DCMS", previously the Olympic Delivery Authority) in relation to the 2011 sale and purchase agreement for SVDP Limited. As a result a total agreed sum of £503k is deemed payable by the company.

A non-current provision pf £488k has been recognised which is the amount due to be settled on 31 March 2022 in line with the deed, discounted at the government risk free rate. The discount rate is based on the 3 year GBP government bond rate, adjusted for risk.

An accrual of £5k is included within current trade and other payables relating to the payment on account which was due on the date of the deed.

Notes to the financial statements (continued)

15. Loans and borrowings

	2019	2018
	£000	£000
Current		
Murabaha loan	8,972	-
Deferred Murabaha loan arrangement fees	(8)	-
Loan from parent	1,281	4,967
	10,245	4,967
Non-current		
Murabaha loan	-	8,968
Deferred Murabaha loan arrangement fees	-	(21)
Loan from parent	2,516	-
	2,516	8,947
	12,761	13,914

The Company holds a Murabaha loan to part finance the purchase of the investment property. The quarterly profit element payable on this transaction is treated as interest payable within these financial statements.

The Murabaha loan is non-amortising and as at 31 March 2019 was due for repayment in September 2019. Profit payable on the Murabaha loan is calculated based on LIBOR+ 2.60%, the floating rate being hedged by derivatives.

The Murabaha loan is served by fixed and floating charges over certain investment properties.

The loan from parent, Get Living London EV2 Holdco Limited, consists of: 1) £1.3m (2018: £1.3m) which is interest free and repayable on demand. 2) £2.5m (2018: £nil) interest free loan which is repayable on 6 November 2024. The total amount drawn is £4.2m as at the balance sheet date. The loan has been fair valued at the net present value of future cash flows, using the market interest rate of 10%, with £2.4m recognised as a loan payable and £1.8m as a capital contribution (see note 17). The loan payable balance of £2.5m includes £0.1m of finance charges relating to the unwinding of the interest free loan over the loan term (see note 5).

16. Share capital

	2019	2018
	£	£
Allotted, called up share capital		
1 Ordinary Shares of £1 each	1	1
	1	1

Holders of Ordinary Shares are entitled to one vote per share.

The shares are unpaid for current financial year and prior financial year.

The Company is authorised to issue unlimited shares.

Notes to the financial statements (continued)

17. Capital contribution

	2019	2018
	£000	£000
At 1 April 2018	**3,825**	3,825
Capital contribution	**1,847**	-
At 31 March 2019	**5,672**	3,825

The increase in the capital contribution reserve of £1.8m relates to the fair value adjustment made to the interest free intercompany loan due to the parent issued in the year.

18. Related party disclosures

The Company's immediate and ultimate parent undertakings were Get Living London EV Holdco Limited at 6th Floor Lansdowne House, Berkeley Square, London, United Kingdom, W1J 6ER and Get Living PLC at 6th Floor Lansdowne House, Berkeley Square, London, United Kingdom, W1J 6ER respectively.

At 31 March 2019, Get Living PLC was jointly controlled as follows:

(i) By Delancey Oxford Residential ("DOOR"), a co-investment vehicle made up of DV4 Limited, a company registered and incorporated in the British Virgin Islands, and Oxford Properties, a Canadian global real estate investor;
(ii) By QD UK Holdings LP, a limited partnership registered and incorporated in Scotland; and
(iii) By Stichting Depositary APG Strategic Real Estate Pool, a pension fund asset manager based in the Netherlands.

Get Living PLC is the smallest group to consolidate these financial statements.

Transactions between the Company and its group entities are summarised in note 6, 10, 11 and 15. The Company's finance lease liabilities are with a company under common control (see note 13).

19. Commitments

There were no commitments as at 31 March 2019 (2018: £nil).

20. Contingent liabilities

There were no contingent liabilities as at 31 March 2019 (2018: £nil).

21. Subsequent events

On 5 September 2019, an agreement was signed with Masraf Al Rayan to extend the maturity date of the Murabaha debt facility to 31 October 2019.