

# Butterfly Cumbria Properties Limited

(Company registration number: 09674271)

## Annual Report and Audited Financial Statements

For the year ended 31 December 2020



**Butterfly Cumbria Properties Limited**  
**Registered number: 09674271**

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**Butterfly Cumbria Properties Limited**  
**Registered number: 09674271**

**Corporate information**

Director

David Yaldron

Registered office

The Scalpel, 18<sup>th</sup> Floor  
52 Lime Street  
London  
EC3M 7AF  
Telephone: +44(0)207 409 0181

Independent Auditor

BDO LLP  
55 Baker Street  
London  
W1U 7EU

Administrator & Secretary

JTC (UK) Limited  
The Scalpel, 18<sup>th</sup> Floor  
52 Lime Street  
London  
EC3M 7AF

Legal Advisers

Travers Smith LLP  
10 Snow Hill  
London  
EC1A 2AL

Company Registration Number

09674271

## **Director's Report**

The Director presents his report and the audited financial statements of Butterfly Cumbria Properties Limited (the "Company") for the year ended 31 December 2020.

The Company was incorporated on 7 July 2015 as a private company under the Companies Act of 2006.

The objective of the Company is to provide its ultimate parent, Impact Healthcare REIT Plc, with attractive long term and sustainable returns for its investment in the Company. These returns are underpinned by our secure and stable income from investments in property within the UK in the health care sector. The tenants of these properties are financially sound and committed to providing high standards of care to the clients they serve. The Company also benefits from these long leases having inflation-linked annual rent reviews.

### **Principal activity and review of business**

The Company's principal activity is to invest in UK healthcare real estate assets and to lease them on long leases to high-quality tenants.

The Company is ultimately wholly-owned by Impact Healthcare REIT Plc, a real estate investment trust.

The outbreak of COVID-19 has caused unprecedented challenges for businesses worldwide, however, following rigorous stress testing of the Company's business model against several downside scenarios, we remain confident that the Company will be able to continue to carry out its principal activities going forward, please refer to the Going concern section of note 1 for further detail.

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

The Director of the Company who held office at the date of approval of this report confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Results and Dividends**

The results for the year prepared under the Financial Reporting Standard 102 ("FRS102"), United Kingdom Accounting Standards and applicable law are disclosed on page 7.

The net comprehensive gain for the year ended 31 December 2020 is £297,273 (2019: £1,120,456) and a £569,400 net asset position as at 31 December 2020 (2019: £10,102,127).

Dividends amounting to £9,830,000 were declared during the year (2019: £131,344).

### **Directors**

The Director of the Company during the year ended 31 December 2020 and subsequently is as follows:

David Yaldron

### **Independent Auditor**

BDO LLP were appointed as auditor for the year ended 31 December 2020 and have confirmed their willingness to continue in office.

### **Going concern**

The Director considers that the going concern basis is appropriate for the Company and as such these financial statements have been prepared on this basis. The Director has prepared a cash flow forecast for the Company for a period of 18 months from signing these financial statements.

As at 31 December 2020 the Company is in a £0.6 million net asset position and the Company has no commitments to asset management opportunities or acquisitions over the next 18 months.

## **Director's Report (continued)**

### **Going concern (continued)**

The outbreak of Covid-19 has caused disruptions to global supply chains and has affected the demand for certain products and services. The Director continues to monitor the latest market developments relating to COVID-19 and any possible future impact on the Company closely. Following a review of the Company's 18 month cashflows and potential downside scenarios, and taking into consideration that the Company has not been materially affected thus far, the Director continues to believe that the Company will be able remain operational and service all expenses as they fall due over the 12 months from the signing of these financial statements.

The Director is, therefore, of the opinion that the going concern basis adopted in the preparation of these financial statements remains appropriate.

### **Statement of Director's Responsibilities**

The Director is responsible for preparing the Director's Report and the financial statements in accordance with Financial Reporting Standard 102 ("FRS 102").

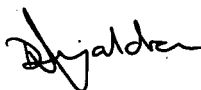
Companies law requires the Director to prepare financial statements for each financial period. Under that law the Director has elected to prepare the financial statements in accordance with Financial Reporting Standard 102 ("FRS102"). Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable standards under FRS 102 are followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Director confirms that he has complied with his responsibilities and with the above requirements throughout the period and subsequently.

This report was approved by the board on 9 August 2021 and signed by its order.



David Yaldron

The Scalpél, 18<sup>th</sup> Floor  
52 Lime Street  
London EC3M 7AF

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF BUTTERFLY CUMBRIA PROPERTIES LIMITED**

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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.

We have audited the financial statements of Butterfly Cumbria Properties Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### **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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remain 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.

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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

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

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF BUTTERFLY CUMBRIA PROPERTIES LIMITED (CONTINUED)**

assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

### **Other Companies Act 2006 reporting**

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.

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 explanation we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities, 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.

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF BUTTERFLY CUMBRIA PROPERTIES LIMITED (CONTINUED)**

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud.

We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law including the applicable accounting framework and tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company financial statements.

We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and accounting policies to identify instances of management bias, and agreeing to underlying supporting documentation where necessary. We reviewed minutes of Board meetings held during and subsequent to the year end for any indicators of non-compliance and made enquires of management and of the directors as to the risks of non-compliance and any instances thereof.


We addressed the risk of management override of internal controls, including testing journal entries processed during the year and evaluating whether there was evidence of bias by the directors that represented a risk of misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

DocuSigned by:  
  
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Richard Levy (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London, UK

9 August 2021

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

# Statement of comprehensive income

for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Gross rental income	4	172,273	537,850
<b>Net rental income</b>		<b>172,273</b>	<b>537,850</b>
Administrative and other expenses		-	(26,859)
<b>Operating profit</b>	5	<b>172,273</b>	<b>510,991</b>
Changes in fair value of investment properties	8	-	682,000
Profit on sale of investment properties		125,000	-
Interest payable and similar expenses	6	-	(62,795)
<b>Profit before tax</b>		<b>297,273</b>	<b>1,130,196</b>
Tax charge on profit for the year	7	-	(9,740)
<b>Total comprehensive income for the year</b>		<b>297,273</b>	<b>1,120,456</b>

The Company has no recognised gains and losses other than those included above that would require disclosure in a separate Statement of other comprehensive income.

No operations were discontinued in the year.

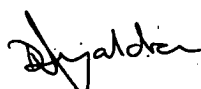
The accompanying notes form an integral part of these financial statements.

# Statement of financial position

As at 31 December 2020

		31 December 2020	31 December 2019
	Note	£	£
<b>Fixed Assets</b>			
Investment property	8	-	9,705,000
<b>Current Assets</b>			
Debtors	9	579,066	406,793
<b>Total current assets</b>		<b>579,066</b>	<b>406,793</b>
<b>Creditors: Amounts falling due within one year</b>	10	<b>(9,666)</b>	<b>(9,666)</b>
<b>Net current assets</b>		<b>569,400</b>	<b>397,127</b>
<b>Total assets less current liabilities</b>		<b>569,400</b>	<b>10,102,127</b>
<b>Net assets</b>		<b>569,400</b>	<b>10,102,127</b>
<b>Capital and reserves</b>			
Share capital	12	3	3
Share premium reserve	12	-	9,028,799
Capital reduction reserve	12	-	-
Retained earnings		569,397	1,073,325
<b>Total equity</b>		<b>569,400</b>	<b>10,102,127</b>

The annual financial statements were approved and authorised for issue by the board on 9 August 2021 and are signed on its behalf by:



Director  
David Yaldron

The accompanying notes form an integral part of these financial statements.

# Statement of changes in equity

For the period ended 31 December 2020

	Notes	Share capital £	Share premium reserve £	Capital reduction reserve £	Retained earnings £	Total £
<b>At 1 January 2019</b>		<b>2</b>	-	-	<b>84,213</b>	<b>84,215</b>
Share issue		1	9,028,799	-	-	9,028,800
Total comprehensive income		-	-	-	1,120,456	1,120,456
Dividends paid		-	-	-	(131,344)	(131,344)
<b>At 31 December 2019</b>		<b>3</b>	<b>9,028,799</b>	-	<b>1,073,325</b>	<b>10,102,127</b>
Transfer to Capital reduction reserve	12	-	(9,028,799)	9,028,799	-	-
Total comprehensive income		-	-	-	297,273	297,273
Dividends paid		-	-	(9,028,799)	(801,201)	(9,830,000)
<b>At 31 December 2020</b>		<b>3</b>	-	-	<b>569,397</b>	<b>569,400</b>

The accompanying notes form an integral part of these financial statements.

**Notes to the annual financial statements (continued)**  
**For the year ended 31 December 2020**

**1. Basis of Preparation**

**General information**

The Company is a private company incorporated, domiciled and registered in England and Wales under the Companies Act of 2006. The register number is 09674271 and the registered address is the Scalpel, 18<sup>th</sup> Floor, 52 Lime Street, London, EC3M 7AF. The Company is a wholly owned subsidiary of Impact Property 4 Limited. The ultimate holding company is Impact Healthcare REIT Plc, incorporated in England and Wales, which prepares consolidated financial statements incorporating Impact Healthcare REIT Plc and its subsidiaries (the "Group"). The registered office of Impact Healthcare REIT Plc is the same as that of the Company.

**Disclosure exemptions adopted**

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 102.

Therefore these financial statements do not include:

- No statement of cash flows has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- The requirement to present related party disclosures between the Company and fellow subsidiaries where ownership is all 100%;
- No disclosures have been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is included in the totals for the Group as a whole; and
- No strategic report is presented.

**Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Companies Act 2006.

These financial statements have been prepared using the historical cost basis, except where the accounting policies state otherwise.

**Convention**

The financial statements are presented in Sterling, which is also the Company's functional currency.

**Going concern**

The Director considers that the going concern basis is appropriate for the Company and as such these financial statements have been prepared on this basis. The Director has prepared a cash flow forecast for the Company for a period of 18 months from signing these financial statements.

As at 31 December 2020 the Company is in a £0.6 million net asset position and the Company has no commitments to asset management opportunities or acquisitions over the next 18 months.

The outbreak of Covid-19 has caused disruptions to global supply chains and has affected the demand for certain products and services. The Director continues to monitor the latest market developments relating to COVID-19 and any possible future impact on the Company closely. Following a review of the Company's 18 month cashflows and potential downside scenarios, and taking into consideration that the Company has not been materially affected thus far, the Director continues to believe that the Company will be able remain operational and service all expenses as they fall due over the 12 months from the signing of these financial statements.

The Director is, therefore, of the opinion that the going concern basis adopted in the preparation of these financial statements remains appropriate.

**2. Significant accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amount of the assets or liabilities in future periods.

**Notes to the annual financial statements (continued)**  
**For the year ended 31 December 2020**

**2. Significant accounting judgements, estimates and assumptions (continued)**

**Judgements**

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are disclosed below:

**Recoverability of assets**

Significant judgements during the year include the recoverability of intercompany debtors. This was assessed by reviewing the solvency of the entity to which it related and reflecting for any findings in the value of the intercompany debtors. During the year no impairment of provision for recoverability of debtors was deemed necessary.

**Fair valuation of investment property**

The value of investment property was determined by independent real estate valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Each property was valued on an individual basis. The valuation experts used recognised valuation techniques in accordance with those recommended by the International Valuation Standard Committee.

The valuations were prepared in accordance with the RICS Valuation – Global Standards as applicable for the year ended 31 December 2019 or the RICS "Red Book" as it has become widely known. Factors reflected included current market conditions, annual rentals, lease lengths, and location. The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in note 8. During the year under review, the Company's investment property was transferred to its immediate parent, Impact Property 4 Limited.

Gains or losses arising from changes in the fair values were included in the Statement of comprehensive income in the period in which they arose. In order to avoid double accounting, the assessed fair value may have been increased or reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives to the Statement of comprehensive income.

**Operating lease contracts – the Company as lessor**

The Company had investment properties that were subject to commercial property leases with tenants. The Company determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retained all the significant risks and rewards of ownership of these properties and so accounted for the leases as operating leases.

**3. Summary of significant accounting policies**

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

**Rental income**

Rental income arising on investment properties is included in gross rental income in the Statement of comprehensive income and is accounted for on a straight line basis over the lease term. The resulting asset or liability is reflected as a receivable or payable in the Statement of financial position.

The valuation of investment properties is increased or reduced by the total of the unamortised lease incentive and straight line receivable or payable balances, where relevant. Any remaining balances in respect of properties disposed of are included in the calculation of the profit or loss arising at disposal.

**Income and expenses**

Income and expenses are accounted for on an accruals basis and are charged through the Statement of comprehensive income.

**Notes to the annual financial statements (continued)**  
**For the year ended 31 December 2020**

**3. Summary of significant accounting policies (continued)**

**Taxation**

The Company is part of a REIT group and profits and gains from its property investment business is therefore exempt from tax, subject to the ultimate parent company maintaining its REIT status.

Taxation arising as a result of non-REIT taxable income comprises current and deferred tax. Taxation is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity.

Current tax is the expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date.

**Investment properties**

Investment properties consisted of land and buildings (principally care homes) which were held to earn rental income and for capital growth potential.

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property.

After initial recognition, investment properties are measured at fair value, with gains and losses recognised in the Statement of comprehensive income in the period which they arise.

Gains and losses on disposals of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset. These are recognised in the Statement of comprehensive income in the period in which they arise.

**Debtors**

Debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is made when there is objective evidence that the Company will not be able to recover balances in full.

Balances are written off when the probability of recovery is assessed as being remote.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**Dividends**

Dividends are recognised when they become legally payable.

**Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**Share premium reserve**

The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. This reserve is non-distributable.

**Capital reduction reserve**

On 1 April 2020, the Directors approved the cancellation of the Company's Share premium reserve through a Reduction of Capital by way of the solvency statement procedure under section 641(1)(a) of the Companies Act, 2006. This reserve is distributable.

**Creditors**

Creditors are initially recognised at their fair value and are subsequently measured at cost.

**Notes to the annual financial statements (continued)**  
**For the year ended 31 December 2020**

**4. Analysis of rental income**

The turnover is entirely attributable to the principal activity of the Company and is wholly undertaken in the United Kingdom.

**5. Operating profit**

The audit fee for the current year has been borne by Impact Healthcare REIT Plc, the parent entity. The auditor's remuneration in respect of the Company amounted to £1,600, none has been recharged by the parent entity for the audit of the Company.

The Company had no employees (2019: nil) and the Director received no remuneration during the year (2019: £nil).

**6. Interest payable and similar charges**

	31 December 2020 £	31 December 2019 £
Bank loan interest payable	-	37,149
Interest payable on swap derivatives	-	(1,249)
Total interest expense on financial liabilities not measured at fair value through the Statement of comprehensive income	-	35,900
Loss on derivative financial instruments	-	26,895
Total interest payable and similar charges	-	62,795

**7. Taxation**

**Analysis of the tax charge in the period:**

	31 December 2020 £	31 December 2019 £
Current tax:		
UK corporation tax	-	9,740
<b>Tax on profit on ordinary activities</b>	-	<b>9,740</b>

**Factors affecting tax charge for period**

The differences between the tax assessed and the standard rate of corporation tax for the period are explained as follows:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Profit on ordinary activities before tax	297,273	1,130,196
Standard rate of corporation tax in the UK for the period	19%	19%
<b>Profit multiplied by the standard rate of tax in the UK of 19%</b>	<b>56,482</b>	<b>214,737</b>
Effect of:		
Tax relief available from REIT group status	(87,832)	(75,417)
Investment property revaluation not deductible	31,350	(129,580)
<b>Total tax charge</b>	-	<b>9,740</b>

**Notes to the annual financial statements (continued)**  
**For the year ended 31 December 2020**

**7. Taxation (continued)**

From 8 June 2019, the Company operated along with the ultimate parent company, Impact Healthcare REIT Plc and its subsidiaries as a UK REIT group. Subject to continuing compliance with certain rules, the UK REIT rules exempt the profits of the Company's UK property rental business from UK corporation tax. Capital gains on the Company's UK properties are also generally exempt from UK corporation tax, provided they are not held for trading. Any non-qualifying profits and gains however will continue to be subject to corporation tax.

**8. Investment property**

In accordance with the RICS 'Red Book', the properties have been independently valued on the basis of fair value by Cushman & Wakefield an accredited independent valuer with a recognised professional qualification. They have recent and relevant experience in the locations and categories of investment property being valued and the skills and understanding to undertake the valuations competently. The properties have been valued on an individual basis and their values aggregated rather than the portfolio valued as a single entity. The valuers have used recognised valuation techniques in accordance with those recommended by the International Valuation Standards Committee. Factors reflected include current market conditions, annual rentals, lease lengths, property condition, including improvements effected during the year, rent coverage and location.

The valuations are the ultimate responsibility of the Director. Accordingly, the critical assumptions used in establishing the independent valuation are reviewed by the Board.

	31 December 2020 Total <sup>1</sup> £	31 December 2019 Total <sup>1</sup> £
Opening value	9,705,000	4,493,000
Property additions	-	4,530,000
Revaluation movement	-	682,000
Disposals	(9,705,000)	-
<b>Closing value per independent valuation report and Statement of financial position</b>	<b>-</b>	<b>9,705,000</b>

<sup>1</sup>Investment properties were held freehold during the period.

In the prior year, property additions relate to a premium paid to a third party for surrender of lease over the investment property.

In April 2020, the Company's investment property was transferred to its immediate parent, Impact Property 4 Limited at a transfer value of £9,830,000.

**9. Debtors**

	31 December 2020 £	31 December 2019 £
<b>Current</b>		
Other debtors	3,076	-
Accrued income	827	827
Output VAT	-	2,812
Intercompany treasury loan – Impact Property 4 Limited	575,163	403,154
	<b>579,066</b>	<b>406,793</b>

The intercompany treasury loan receivable from Impact Property 4 Limited is unsecured, interest free and repayable on demand.

**Notes to the annual financial statements (continued)**  
**For the year ended 31 December 2020**

**10. Creditors**

	31 December 2020 £	31 December 2019 £
<b>Current</b>		
Corporation tax	9,666	9,666
	<b>9,666</b>	<b>9,666</b>

**11. Financial instruments and financial risk management**

The Company's principal financial assets and liabilities are those that arise directly from its operations, trade and other receivables and payables.

Set out below is a comparison by class of the carrying amounts of the Company's financial instruments held:

	31 December 2020 Total	31 December 2019 Total
<b>Assets measured at cost less impairment:</b>		
Trade and other receivables	579,066	406,793
<b>Liabilities measured at cost less impairment:</b>		
Trade and other payables	-	-

The risk and capital management policies of the Company follow those set out by its ultimate parent company, Impact Healthcare REIT Plc and full details of those policies are set out in that company's financial statements.

**12. Share capital, share premium reserve and capital reduction reserve**

	Shares in issue Number	Share capital £	Share premium reserve £	Capital reduction reserve £	Total £
<b>As at 31 December 2018</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>
Shares issued on 7 June 2019	1	1	9,028,799	-	9,028,800
<b>As at 31 December 2019</b>	<b>3</b>	<b>3</b>	<b>9,028,799</b>	<b>-</b>	<b>9,028,802</b>
Transfer to Capital reduction reserve	-	-	(9,028,799)	9,028,799	-
Dividends paid	-	-	-	(9,028,799)	(9,028,799)
<b>As at 31 December 2020</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>

On incorporation the Company allotted 2 ordinary shares of £1 each.

On the 7 June 2019 the Company allotted 1 ordinary share of £1 at a premium of £9,028,779 to Impact Property 4 Limited, the Company's immediate parent.

The Company has 3 shares of nominal value of £1 each (31 December 2019: 3).

On 1 April 2020, the share premium was cancelled and the reserves made distributable following which the Company declared a dividend of £9,830,000 to Impact Property 4 Limited in settling the transfer of the investment property, £9,028,799 was distributed out of Capital reduction reserve with the remaining £801,201 being distributed out of Retained earnings.

**Notes to the annual financial statements (continued)**  
**For the year ended 31 December 2020**

**12. Share capital, share premium reserve and capital reduction reserve (continued)**

**Share capital**

Share capital represents the nominal value of shares that have been issued.

**Share premium reserve**

Share premium reserve represents the premium arising on the issue of equity shares, net of issue costs. This reserve is non-distributable.

**Capital reduction reserve**

On 01 April 2020, the Director approved the cancellation of the Company's share premium reserve through a reduction of capital by way of the solvency statement procedure under section 641(1)(a) of the Companies Act, 2006. This reserve is distributable.

**13. Operating leases**

The future minimum lease payments under non-cancellable operating leases receivable by the Company are as follows:

	Within 12 months	2-5 years	> 5 Years	Total
	£	£	£	£
<b>31 December 2020<sup>1</sup></b>	-	-	-	-
<b>31 December 2019</b>	694,516	2,848,251	9,768,947	13,311,714

<sup>1</sup> On 2 April 2020, the investment property was transferred to Impact Property 4 Limited.

The Company's investment properties were leased to tenants under the terms of property leases that include upward-only inflation-linked rent reviews which are performed annually.

**14. Capital commitments**

There were no capital commitments held by the Company.

**15. Contingent liabilities**

There were no contingent liabilities as at 31 December 2020.

**16. Ultimate parent company and controlling party**

As at 31 December 2020, the Company was a wholly owned subsidiary of Impact Property 4 Limited. The ultimate parent company is Impact Healthcare REIT Plc, a company incorporated in England and Wales, which also prepares consolidated financial statements incorporating Butterfly Cumbria Properties Limited.

The consolidated financial statements of Impact Healthcare REIT Plc are available to the public and may be obtained from the website at <https://www.impactreit.uk/investors/reporting-centre/reports>.

There is no ultimate controlling party.

**17. Subsequent events**

There have been no events subsequent to 31 December 2020 requiring adjustment of, or disclosure in, the financial statements.